

**CITY OF NILES  
NILES, MICHIGAN**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY FINANCIAL DATA  
September 30, 2004**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Niles, Michigan		County Berrien
Audit Date 9/30/04	Opinion Date January 13, 2005	Date Accountant Report Submitted to State: April 29, 2005		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

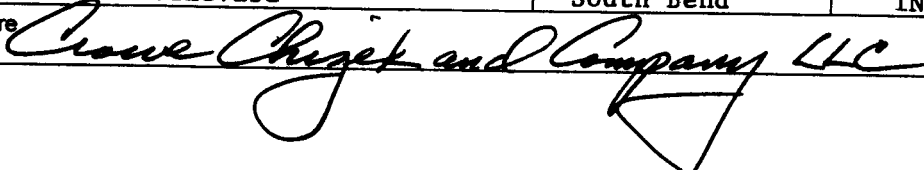
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		X	
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).		X	

Certified Public Accountant (Firm Name) Crowe Chizek and Company LLC			
Street Address 330 East Jefferson Boulevard	City South Bend	State IN	ZIP 46601
Accountant Signature 			

CITY OF NILES  
Niles, Michigan

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY FINANCIAL DATA  
September 30, 2004

CONTENTS

CITY OFFICIALS.....	1
REPORT OF INDEPENDENT AUDITORS .....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	4
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS.....	16
STATEMENT OF ACTIVITIES .....	17
FUND FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS FINANCIAL STATEMENTS	
BALANCE SHEET.....	18
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS.....	19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES .....	20
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES .....	21
PROPRIETARY FUNDS FINANCIAL STATEMENTS	
BALANCE SHEET.....	22
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS .....	24
STATEMENT OF CASH FLOWS.....	25

CITY OF NILES  
Niles, Michigan

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY FINANCIAL DATA  
September 30, 2004

CONTENTS

FIDUCIARY FUNDS FINANCIAL STATEMENTS	
STATEMENT OF FIDUCIARY NET ASSETS.....	26
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS.....	27
NOTES TO FINANCIAL STATEMENTS .....	28
SUPPLEMENTARY INFORMATION	
REQUIRED SUPPLEMENTARY INFORMATION.....	53
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL	
GENERAL FUND.....	54
COMMUNITY DEVELOPMENT HOUSING REHABILITATION FUND.....	63
INSURANCE FUND.....	64
NONMAJOR GOVERNMENTAL FUNDS	
COMBINING BALANCE SHEET.....	65
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES.....	66
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL .....	68
SPECIAL REVENUE FUNDS	
TIFA FUND.....	69
BUILDING DEPARTMENT FUND.....	70
COMMUNITY DEVELOPMENT GRANT LOANS.....	71
DOWNTOWN REVOLVING LOAN FUND .....	72

CITY OF NILES  
Niles, Michigan

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY FINANCIAL DATA  
September 30, 2004

CONTENTS

INDUSTRIAL PARK AUTHORITY FUND.....	73
DIAL-A-RIDE TRANSPORTATION FUND.....	74
LOCAL STREET FUND .....	75
MAJOR STREET FUND .....	76
ECONOMIC DEVELOPMENT GRANTS AND LOANS FUND .....	77
CITY BUILDING AUTHORITY DEBT SERVICE FUND .....	78
CAPITAL IMPROVEMENT FUND .....	79
EQUIPMENT REPLACEMENT FUND .....	80
SEWER MAINTENANCE FUND.....	81
LOCAL IMPROVEMENT REVOLVING FUND .....	82
OTHER SUPPLEMENTARY INFORMATION	
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS.....	83
GENERAL OBLIGATION BONDS - PRINCIPAL AND INTEREST REQUIREMENTS .....	85
SUPPLEMENTARY SCHEDULE OF NET ELIGIBLE COSTS COMPUTATIONS OF GENERAL OPERATIONS - DIAL-A-RIDE TRANSPORTATION.....	86
SUPPLEMENTARY SCHEDULE OF MILEAGE DATA (UNAUDITED) .....	87

CITY OF NILES  
Niles, Michigan

CITY OFFICIALS  
September 30, 2004

Mayor

Mr. Michael McCauslin

City Council

1st Ward

Mrs. Georgia Boggs  
Mrs. Pat Gallagher

2nd Ward

Mr. Robert Durm  
Mr. Dan Vandenheede

3rd Ward

Mr. William Weimer  
Mr. Robert Chute

4th Ward

Mr. Bruce Williams  
Mr. Scott Clark

City Administrator

Mr. Terry Eull

City Treasurer/Director of Finance

Mr. David Flowers

City Clerk

Mrs. Ruth Harte

City Assessor

Mrs. Cindy Closson



Crowe Chizek and Company LLC  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS

Honorable Mayor, City Administrator and  
Members of the City Council  
City of Niles  
Niles, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Michigan (the "City") as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Niles Housing Commission, a component unit of the City, which represent 5%, 7% and 5%, respectively, of the assets, net assets and revenues of the City. Those financial statements as of and for the year ended December 31, 2003 were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Niles Housing Commission, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the component unit noted above were not prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34 and thus are not in accordance with accounting principles generally accepted in the United States of America. As a component unit of the City, the Niles Housing Commission was required to implement this standard no later than the same year as the City, its primary government. The amount by

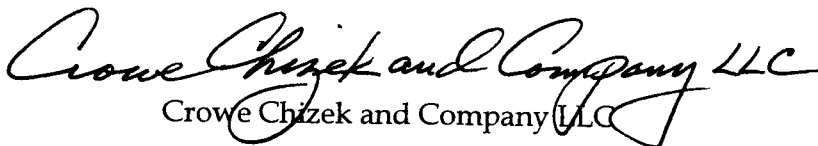
which this departure would affect the assets, net assets and revenues of the Niles Housing Commission, and the assets, net assets and revenues of the City, is not reasonably determinable. The component unit is not considered to be a significant part of the basic financial statements of the City.

In our opinion, except for the effects of such adjustments to the City's basic financial statements, if any, as might have been determined to be necessary had the component unit's financial statements been presented in accordance with GASB Statement No. 34 as described in the preceding paragraph, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Niles, Michigan as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 15 and the Required Supplementary Information on pages 53 through 82 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Niles, Michigan basic financial statements. The Combining Financial Statements and Other Supplementary Information listed in the table of contents are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Crowe Chizek and Company LLC

South Bend, Indiana  
January 13, 2005

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CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Niles' (the "City") discussion and analysis is designed to (a) assist the reader in focusing on the significant financial issues, (b) provide an overview of the financial activities for the fiscal year ended September 30, 2004, (c) identify changes in the City's financial position (its ability to address the next year and subsequent year challenges), (d) identify any material deviations from the approved budget, and (e) identify individual fund issues or concerns. Since the management's discussion and analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and known facts, readers are encouraged to consider the information presented here in conjunction with the City's basic financial statements which follow this section.

**Financial Highlights**

- Assets of the City exceeded its liabilities at the end of the fiscal year by \$32,303,000 (net assets), a decrease of \$2,168,555 from the previous year. Component unit (Niles Housing Commission) reported net assets of \$2,352,381, an increase of \$250,139 from the previous year.
- Of the \$32,303,000 reported in net assets, \$5,461,240 may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).
- At the end of the fiscal year, the City's governmental funds reported total fund equity of \$5,372,750, a decrease of \$2,657,963 from the previous year. Of this fund equity, approximately 85 percent (\$4,556,495) is available for spending at the government's discretion (undesignated fund balance).
- At the end of the current fiscal year, the unreserved undesignated fund balance for the General Fund was \$1,724,598 or 22% of the total General Fund expenditures for the current fiscal year.
- The proprietary funds reported net assets at September 30, 2004 of \$20,300,797, a decrease of \$769,056 from the previous year.
- The City's total debt as of fiscal year end was \$7,531,169, an increase of \$5,726,372 or 317% from the previous year.

**Overview of the Financial Statements**

This discussion and analysis is an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements, and 3) notes to the financial statements. The basic financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow users to address relevant questions, broaden a basis for comparison (interperiod or intergovernmental) and enhance the City's accountability. This report also contains supplementary information in addition to the basic financial statements which further explains and supports the information presented in these statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. The Statement of Net Assets and the Statement of Activities are designed to be corporate-like in that all the governmental and business-type activities are consolidated into columns which add to a total for the Primary Government. These statements should help the reader to answer the question: Is the City, as a whole, better or worse off as a result of this year's activities. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting. The current year's revenues and expenses are recognized regardless of when cash is received or paid.

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CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The focus of the Statement of Net Assets is designed to be similar to the bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations (total economic resources). This statement presents all of the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases and decreases in net assets may indicate whether the City's financial position is improving or deteriorating. However, in order to assess the overall health of the City, non-financial factors such as the City's property tax base and condition of the City's infrastructure may also need to be considered.

The Statement of Activities is focused on both the gross and net cost of the various activities (governmental, business-type, and component unit) which are supported by the City's general tax and other revenues. This presentation is intended to summarize and simplify the user's analysis of the cost of the various governmental services and/or the subsidy to various business-type activities and/or component units. This statement shows how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying events occur, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

1. *Governmental Activities:* Most of the City's basic services (i.e., police, fire, streets, parks, etc.) are reported under this category. Taxes and intergovernmental revenues generally fund these services. The City's governmental activities include general government, public safety, highways and streets, transportation, sanitation and sewers, culture and recreation, conservation, and community development.
2. *Business-type Activities:* The City charges fees to customers to help cover all or most of the cost of certain services it provides. The City operates six business-type activities that reflect private sector type operations: The Niles Utilities Department (Electric, Water, and Sewer services), Silverbrook Cemetery, Jerry Tyler Memorial Airport, and Plym Park Golf Course.
3. *Discretely Presented Component Units:* Component units are legally separate organizations over which the City (the City Council acting as a group) can exercise influence and/or for which the City is financially accountable. The City of Niles has one component unit: the Niles Housing Commission. Financial information for this component unit is presented separately from that of the primary government. The focus of the statements is clearly on the primary government; however, the presentation allows the user to address the relative relationship with the component unit.

#### Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. These statements provide more detailed information about the City's most significant funds (Major Funds), not the City as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to maintain control over resources that have been segregated for specific activities or objectives. In addition to major funds, the City presents individual fund data for nonmajor funds in the supplementary information section. All the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary. Each category uses different accounting approaches.

CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

*Governmental Funds:*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund statements are presented on a modified accrual basis, which focuses on the near-term sources and uses of available resources. This is the manner in which the budget is typically developed. The City establishes funds for various purposes; and the Fund Financial Statements allow the demonstration of sources and uses and/or budgetary compliance associated therewith. Governmental funds include the general fund, special revenue funds, capital project funds, and debt service funds.

The focus of governmental funds (current financial resources) is narrower than that of the government-wide financial statements (total economic resources). Therefore, the reader may better understand the long-term impact of the City's near-term financing decisions by comparing information presented for governmental funds with the information presented for the governmental activities in the government-wide financial statements. Both the governmental funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison.

*Proprietary Funds:*

Proprietary funds are used to account for services provided by the City where the City charges customers (whether external or internal) for the services it provides. These funds use accrual accounting; the same method used by private sector businesses. The City maintains one type of proprietary fund: enterprise. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the Utility Department services (electric, water, and sewer), Silverbrook Cemetery, Jerry Tyler Memorial Airport and Plym Park Golf Course.

*Fiduciary Funds:*

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. While these funds represent trust responsibilities of the City, these assets are restricted in purpose and do not represent discretionary assets of the City. Therefore, these assets are not reflected in the government-wide financial statements. The City acts as a trustee or fiduciary for its employee pension plan. It is also a trustee/agent for the other governmental units for which it collects tax payments. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. These funds are reported using accrual accounting.

**Notes to Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Additional Required Supplementary Information**

Following the basic financial statements is additional required supplementary information that further explains and supports the information in the basic financial statements. The required supplementary information includes budgetary comparison schedules.

CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

### Nonmajor Government Funds

Following the required supplementary information is combining financial statements for nonmajor governmental funds. These funds are added together and presented in a single column in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements. This section also includes budgetary comparison schedules for these funds.

### Other Supplementary Information

Other supplementary information includes a Combining Statement of Changes in Assets and Liabilities for all agency funds, general obligation bonds principal and interest requirements, along with detailed schedules for the Dial-A-Ride Transportation Fund.

### Financial Analysis of the Government as a Whole

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded its liabilities at the end of the fiscal year by \$32,303,000. However, a major portion of the City's net assets (67%) represents its investment in capital assets (e.g., land, buildings, equipment, electric, water and sewer plant and equipment). The City uses these capital assets to provide essential services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities. Not capitalized at this time is the City's infrastructure, reporting of which is in transition and will be reported in future reports as the data compilation is completed.

City of Niles Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Current and other assets	\$ 11,956,045	\$ 9,246,121	\$ 9,754,319	\$ 13,865,239	\$ 21,710,364	\$ 23,111,360
Capital assets, net of accumulated depreciation	7,138,230	8,297,939	12,247,293	13,383,006	19,385,523	21,680,945
Total Assets	19,094,275	17,544,060	22,001,612	27,248,245	41,095,887	44,792,305
Long-term liabilities	1,804,797	1,704,423	-	5,826,746	1,804,797	7,531,169
Other liabilities	3,887,776	3,837,434	931,759	1,120,702	4,819,535	4,958,136
Total liabilities	5,692,573	5,541,857	931,759	6,947,448	6,624,332	12,489,305
Net Assets:						
Invested in capital, net of related debt	7,090,634	8,285,439	12,247,293	13,506,927	19,337,927	21,792,366
Restricted	3,003,019	2,879,649	864,846	2,169,745	3,867,865	5,049,394
Unrestricted	3,308,049	837,115	7,957,714	4,624,125	11,265,763	5,461,240
Total Net Assets	13,401,702	12,002,203	21,069,853	20,300,797	34,471,555	32,303,000
Restricted net assets include the following:						
Equipment replacement (sewer)	\$ 864,846	\$ 2,169,745				
Highways and streets	451,152	464,988				
Community development	1,313,839	1,272,566				
Transportation	399,078	314,985				
Other	838,950	827,110				
	\$ 3,867,865	\$ 5,049,394				

Except for the \$5,049,394 of restricted net assets, the City may use the remaining balance of unrestricted net assets of \$5,461,240 (17%) to meet its ongoing obligations to citizens and creditors. Further, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Niles' Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Revenues:						
Program Revenues:						
Charges for services	\$ 686,192	\$ 607,409	\$ 11,669,401	\$ 11,965,859	\$ 12,355,593	\$ 12,573,268
Operating grants	1,105,196	1,204,456	-	-	1,105,196	1,204,456
Capital grants	865,274	1,586,167	17,788	3,740	883,062	1,589,907
General Revenues:						
Taxes	3,004,945	2,973,216	-	-	3,004,945	2,973,216
State-shared revenues	1,654,640	1,492,904	-	-	1,654,640	1,492,904
Investment earnings	204,368	102,098	150,859	151,811	355,227	253,909
Insurance fund contributions	106,504	373,425	-	-	106,504	373,425
Other	105,048	108,544	52,456	60,144	157,504	168,688
Transfers	182,230	451,693	45,573	41,569	227,803	493,262
Total Revenues	<u>7,914,397</u>	<u>8,899,912</u>	<u>11,936,077</u>	<u>12,223,123</u>	<u>19,850,474</u>	<u>21,123,035</u>
Expenses:						
General government	1,194,639	1,424,835	-	-	1,194,639	1,424,835
Public safety	3,223,497	3,363,121	-	-	3,223,497	3,363,121
Highway and streets	1,262,908	1,379,033	-	-	1,262,908	1,379,033
Transportation	853,670	828,609	-	-	853,670	828,609
Sanitation and sewers	192,221	467,982	-	-	192,221	467,982
Culture and recreation	221,506	235,503	-	-	221,506	235,503
Conservation	75,906	79,981	-	-	75,906	79,981
Community development	772,113	1,952,570	-	-	772,113	1,952,570
Other	230,248	567,777	-	-	230,248	567,777
Electric			8,450,166	9,008,383	8,450,166	9,008,383
Water			1,389,879	1,405,958	1,389,879	1,405,958
Sewage			2,059,779	2,192,519	2,059,779	2,192,519
Airport			30,887	28,365	30,887	28,365
Cemetery			138,458	142,514	138,458	142,514
Golf			209,401	214,440	209,401	214,440
Total Expenses	<u>8,026,708</u>	<u>10,299,411</u>	<u>12,278,570</u>	<u>12,992,179</u>	<u>20,305,278</u>	<u>23,291,590</u>
Decrease in Net Assets	(112,311)	(1,399,499)	(342,493)	(769,056)	(454,804)	(2,168,555)
Net Assets, October 1, 2003	13,514,013	13,401,702	21,412,346	21,069,853	34,926,359	34,471,555
Net Assets, September 30, 2004	<u>\$ 13,401,702</u>	<u>\$ 12,002,203</u>	<u>\$ 21,069,853</u>	<u>\$ 20,300,797</u>	<u>\$ 34,471,555</u>	<u>\$ 32,303,000</u>

*Governmental Activities:*

Governmental activities reduced the City's net assets by \$1,399,499, a reduction of 10.4% from October 1, 2003.  
General Fund Revenue - Actual

	2003		2004		Variance	
	Dollar	Percent	Dollar	Percent	Dollar	Percent
Taxes	\$ 2,725,923	39.49%	\$ 2,675,787	38.40%	\$ (50,136)	-1.84%
Federal revenues	24,631	0.36%	48,203	0.69%	23,572	95.70%
State-shared revenues	1,657,711	24.01%	1,496,909	21.48%	(160,802)	-9.70%
Investment income and penalties	124,104	1.80%	67,444	0.97%	(56,660)	-45.66%
Fines and forfeitures	60,747	0.88%	53,597	0.77%	(7,150)	-11.77%
Licenses and permits	28,428	0.41%	30,686	0.44%	2,258	7.94%
Tax collections fees	94,593	1.37%	115,765	1.66%	21,172	22.38%
Charges for services	264,085	3.83%	244,732	3.51%	(19,353)	-7.33%
Contributions	498	0.01%	279	0.00%	(219)	-43.98%
Other	104,847	1.52%	108,544	1.56%	3,697	3.53%
Residual equity transfer	49,418	0.72%	-	0.00%	(49,418)	-100.00%
	<u>5,134,985</u>	<u>74.38%</u>	<u>4,841,946</u>	<u>69.49%</u>	<u>(293,039)</u>	<u>-5.71%</u>
Operating transfers in	1,768,650	25.62%	2,126,244	30.51%	357,594	20.22%
Total Revenue	<u>\$ 6,903,635</u>	<u>100.00%</u>	<u>\$ 6,968,190</u>	<u>100.00%</u>	<u>\$ 64,555</u>	<u>0.94%</u>

CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Key General Fund revenue factors are as follows:

- Federal revenue is attributable to: \$28,089 from a FireFighters Grant for the Fire Department and \$20,114 from a Local Law Enforcement Grant for the Police Department.
- General Fund state-shared revenue was down primarily due to lower receipts from the State of Michigan for sales taxes. With the continued downturn in the economy, revenue from sales tax receipts declined by \$161,545 or 10% from the previous year. In FY2003, this revenue was down by \$113,571 or 6% from the previous year.
- General Fund investment earnings declined by \$34,747 or 42% due to the continued downward slide in bank and investment rates.
- General Fund InterFund revenue receipts were up by \$308,176 or 17%. While over budget, the InterFund transfers were primarily attributable to:
  - An increase from the Industrial Park Fund to cover construction payments for the new Fire Station.
  - An increase from the Equipment Replacement Fund, from private donations, to cover Fire Department expenditures.
  - An increase from the Electric Utility Fund reflecting the new PILOT (payment in lieu of taxes) agreement between the City and the Electric Division effective May 2004.

CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenditures:

General Fund Expenditures – Actual

	2003		2004		Variance	
		Percent		Percent	Dollar	Percent
General Government						
Council	\$ 135,668	1.92%	\$ 236,753	2.95%	\$ 101,085	74.51%
Legal	50,410	0.71%	56,239	0.70%	5,829	11.56%
Administrator's office	125,442	1.78%	155,692	1.94%	30,250	24.11%
Clerk's office	67,658	0.96%	84,171	1.05%	16,513	24.41%
Treasurer's office	192,097	2.72%	163,946	2.05%	(28,151)	-14.65%
Management services	128,131	1.82%	154,293	1.93%	26,162	20.42%
Building maintenance	136,758	1.94%	218,735	2.73%	81,977	59.94%
Assessor's office	122,874	1.74%	129,046	1.61%	6,172	5.02%
Community Development and Planning	82,363	1.17%	94,115	1.17%	11,752	14.27%
Property and liability insurance	117,672	1.67%	157,760	1.97%	40,088	34.07%
General contingency	53,900	0.76%	51,415	0.64%	(2,485)	-4.61%
Emergency operations center	1,083	0.02%	5,254	0.07%	4,171	385.13%
	1,214,056	17.21%	1,507,419	18.81%	293,363	24.16%
Public Safety						
Police Department	2,232,433	31.64%	2,222,888	27.74%	(9,545)	-0.43%
Fire Department	1,737,960	24.63%	2,259,841	28.19%	521,881	30.03%
	3,970,393	56.27%	4,482,729	55.93%	512,336	12.90%
Highways and Streets						
Highways, streets and bridges	423,605	6.00%	469,269	5.86%	45,664	10.78%
Engineering	167,871	2.38%	194,949	2.43%	27,078	16.13%
Other	173,560	2.46%	162,012	2.02%	(11,548)	-6.65%
	765,036	10.84%	826,230	10.31%	61,194	8.00%
Transportation						
Motor vehicle pool	171,365	2.43%	142,083	1.77%	(29,282)	-17.09%
Sanitation						
Leap pick-up and chipping	78,092	1.11%	288,454	3.60%	210,362	269.38%
Culture and Recreation						
Museum	66,032	0.94%	69,367	0.87%	3,335	5.05%
Parks and Recreation Department	405,940	5.75%	230,752	2.88%	(175,188)	-43.16%
	471,972	6.69%	300,119	3.74%	(171,853)	-36.41%
Conservation						
Tree trimming	43,853	0.62%	54,979	0.69%	11,126	25.37%
Tree removal	32,053	0.45%	25,002	0.31%	(7,051)	-22.00%
	75,906	1.08%	79,981	1.00%	4,075	5.37%
Debt service	104,790	1.49%	121,566	1.52%	16,776	16.01%
Operating transfers out	204,638	2.90%	265,871	3.32%	61,233	29.92%
Total Expenditures	\$ 7,056,248	100.00%	\$ 8,014,452	100.00%	\$ 958,204	13.58%

Key General Fund expenditure factors are as follows:

- In addition to departmental expenditures described below, General Fund expenditures were impacted by two major items:

Employee Insurance Costs - because the City has a self-funded plan, an increase in paid claims required additional General Fund contributions to the Insurance Fund of \$269,168 over the budgeted expenditures of \$678,871 for a total of \$948,039.

CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Storm Clean-up Costs – as the result of storm damage on July 21, 2004, the City incurred total repair and clean-up costs of \$411,079, \$233,213 of which was expensed by the General Fund as follows:

Police Department	\$ 691
Fire Department	7,467
Street Department	3,544
Sanitation Department	220,916
Parks & Recreation Department	<u>595</u>
Total General Fund	233,213
Major Highway Fund	3,141
Local Highway Fund	249
Building Department Fund	69
Electric Utility Division	<u>174,407</u>
Total	<u>\$ 411,079</u>

- Council – increased by \$101,085 or 74%. Attributable to \$79,838 for the land purchase on Fifth and Main Streets, \$11,570 for furniture in the new Council chambers, and the final \$5,000 transfer (of a 3-three year commitment) to the TIFA (DDA) Fund supporting the employment of the marketing employee.
- Administration – increased by \$30,250 or 24%. Attributable to a correction of the salary percentage allocation between the City and the Utility Department dating back to FY2003 as a result of the financial software conversion. The FY2003 expense was understated.
- Management Services – increased by \$26,162 or 20%. Attributable to increased costs with the hiring of a new Human Resource Specialist with professional training and increased audit fees as a result of the newly implemented Government Reporting Standards Board (GASB34) reporting requirements. The total expenditures were \$5,092 over budget.
- Buildings Department (General Fund) – increased by \$81,977 or 60% going over budget by \$106,035. The increase is entirely attributable to the City's payment of electric service to the Electric Division of the Utility Department under the terms of the new PILOT agreement referred to above under the Revenue highlights. This additional expense was offset by attributable General Fund PILOT revenue of \$251,615.
- Police Department – decreased by \$9,545, and was under budget by \$100,637, even after allowing for increased and over-budget health care costs of \$100,000. General Fund revenues attributable to the Police Department were \$240,894. Private donations revenue, offset against specific Police Department expenditures, totaled \$27,262.
- Fire Department – increased by \$521,881 or 30%. The increase reflects continued expenditures for the new fire station of \$1,190,114 and increased health care costs of \$45,334. InterFund transfers from the Industrial Park Fund fully subsidized the construction cost. \$20,089 from a Firefighters Grant, the revenue of which flowed to the General Fund, subsidized safety equipment expenditures. InterFund transfers of \$32,358 from the Equipment Replacement Fund, representing private donations, subsidized various Fire Department safety expenditures.
- Street Department (General Fund) – increased by \$31,912 or 3%, exceeding the budget by \$86,513 (10%). Most of the increase is attributable to the increased health care costs of \$57,333.
- Sanitation (General Fund) – increased by \$210,362 or 269%, exceeding budget by \$224,254 or 349%. The increase is entirely attributable to the storm clean-up costs of \$220,916 identified above.
- Parks and Recreation (General Fund) – decreased by \$175,188 or 43% from the previous year. Expenditures, however, exceeded the budget by \$34,052. This was attributable to the \$81,420 cost of the tennis court renovation of which \$74,726 was funded by an InterFund transfer from a special cash reserve account in the Equipment Replacement Fund.



CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

*Business-Type Activities:*

Revenue:

Business-type activities reduced the City's net assets by \$769,056 or 3.7% from last October 1, 2003. Key factors of this decrease are as follows:

- Electric Fund – operating revenues of \$8,483,518 increased by \$264,004 or 3% while net loss increased by \$339,897 or 421%. Contributing to the increase in operating revenue was a 6.1% rate increase effective May 1, 2004. Contributing to the increase in net loss was: a \$36,852 or 31% decline in investment earnings due to the continued downward slide in bank and investment rates; increased and over-budget health-care costs of \$82,159, and storm related costs of \$174,405.
- Water Fund – operating revenues of \$1,464,475 increased by \$99,480 or 7% from last year. Net earnings totaled \$136,261, an increase of \$126,029 or 1,232% from last year. Contributing to the gain in operating revenue was a 14% water rate increase effective on March 1, 2004. Increased and over-budget health-care costs totaled \$53,209.
- Sewage Fund – operating revenues of \$1,723,934 declined by \$69,624 or 4% from last year resulting in a net loss of \$435,841, an increase of \$203,494 or 88% over last year. Contributing to the increase in net loss was the increased and over-budget health-care costs of \$61,133.

**Financial Analysis of the City's Funds**

As the City completed the year, its governmental funds reported combined fund equity of \$5,372,750. Of this total amount, \$4,556,495 (85%) was undesignated fund balance, which is available for appropriations for the general purpose of the funds. The remainder of the fund balance is reserved and is not available for new spending because it has already been dedicated for various commitments.

*General Fund*

The General Fund is the chief operating fund of the City. As of the end of the current fiscal year, unreserved undesignated fund balance was \$1,724,598, a decrease of \$778,375 from 2003, and the designated fund balance was \$607,113, a decrease of \$267,887 from 2003. Total fund balance decreased \$1,046,262 during the fiscal year, \$684,708 more than the \$361,554 budgeted deficit. Specific identification of various revenue and expenditure items may be referenced on pages 8-11.

**Capital Assets and Debt Administration**

*Capital Assets:*

The City investment in capital assets for its governmental and business-type activities as of September 30, 2004 amounts to \$21,680,945 (net of accumulated depreciation). This investment includes a broad range of assets which are detailed below. The total increase in the City's net investment in capital assets for the current fiscal year was approximately \$1,159,709 or 16% for governmental activities and an approximately \$1,135,713 increase or 9% for business-type activities. As reported on page 3 above, not capitalized at this time are the infrastructure assets (public domain assets such as roads, bridges, curbs and gutters, streets and sidewalks), reporting of which is in transition and will be reported in future reports as the data compilation is completed. There were no infrastructure assets acquired in the current year.

CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Capital Assets at Year End  
(Net of depreciation - in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Capital assets not depreciated:						
Land	\$ 2,085	\$ 2,164	\$ 388	\$ 388	\$ 2,473	\$ 2,552
Construction in progress	-	-	389	1,408	389	1,408
Capital assets being depreciated:						
Improvements, other than buildings	500	473	2,246	2,287	2,746	2,760
Buildings	1,707	2,774	3,658	3,452	5,365	6,226
Equipment	828	960	5,566	5,848	6,394	6,808
Office equipment & furniture	142	182	-	-	142	182
Vehicles	1,876	1,745	-	-	1,876	1,745
Net Capital Assets	\$ 7,138	\$ 8,298	\$ 12,247	\$ 13,383	\$ 19,385	\$ 21,681

This year's major capital expenditures included:

*Governmental Activities:*

- Land Purchase at corner of Main and Fifth Streets - \$79,838
- Police Department:
  - Police reporting software - \$55,605
  - Audio and video surveillance equipment - \$12,964
  - New vehicles - \$25,070
- Street Department:
  - New International dump truck - \$69,944
  - Used 2004 Ford Taurus - \$9,800
- Fire Department
  - Construction costs of new fire station - \$1,190,114
  - Furnishings for new fire station - \$15,976
- Parks and Recreation:
  - New playground equipment at Clevenger Park - \$40,000
  - Tennis Court Renovation - \$81,420
- Dial-a-Ride Transportation (DART) Fund:
  - New bus - \$52,750

*Business-Type Activities:*

- Electric Fund - additions totaled \$631,279. Significant expenditures are described below.
  - Transmission Plant - new American Electric Power entry point - \$206,721
  - Distribution Plant:
    - Additions to poles, towers, and fixtures - \$11,967
    - Upgrades to commercial overhead system - \$45,937
    - Transformer upgrades and installation - \$78,297
    - New meter purchases - \$26,593
    - Installation of new street lights - \$117,078
  - General Plant:
    - Office renovation - \$74,483
    - Computer upgrades - \$37,884
- WasteWater Fund - expenditures totaled \$163,305
  - Processing plant - \$131,587
  - Collection plant - \$31,718

CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

- Water Fund - current year expenditures totaled \$138,218  
     Water mains and services - \$61,586  
     Vehicles and equipment - \$76,632
- Airport Fund  
     Site preparation for construction of fencing and hangar - \$13,560
- Plym Golf Course Fund  
     Toro Groundskeeper - \$33,024  
     Golf carts - \$9,200

*Long-Term Debt*

At the end of the fiscal year, the City had total long-term debt outstanding of \$7,531,169. Of this amount \$530,000 in General Obligation Bonds relates to the acquisition and construction of the addition to the existing Niles District Library facility by the Building Authority. The City has a lease with the Building Authority to pay rental equal to the sums necessary to retire the Building Authority's bonds which are limited tax full faith and credit general obligations of the City. \$5,826,746 relates to the City of Niles Limited Tax General Obligation Bonds, Series 2004, for water infrastructure improvements. These improvements consist of a water filtration plant, a new water tower, and a booster station for a new intermediate pressure district. The \$556,339 amount of installment loans and capital leases is secured by the assets purchased.

Other long-term obligations totaling \$618,084 represent accrued compensated absences and life insurance benefits. Additional information is presented in Note 7 to the basic financial statements.

**Outstanding Debt at Year End**  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
General obligation bonds (backed by the City)	\$ 555,000	\$ 530,000	\$ -	\$ 5,826,746	\$ 555,000	\$ 6,356,746
Installment loans payable	47,596	12,500	-	-	47,596	12,500
Capital lease payable	598,201	543,839	-	-	598,201	543,839
Other liabilities:						
Accrued vacation and sick pay	584,000	598,084	-	-	584,000	598,084
Retiree life insurance benefit	20,000	20,000	-	-	20,000	20,000
Net Capital Assets	<u>\$ 1,804,797</u>	<u>\$ 1,704,423</u>	<u>\$ -</u>	<u>\$ 5,826,746</u>	<u>\$ 1,804,797</u>	<u>\$ 7,531,169</u>

**Economic Condition and Outlook**

The downturn in the U.S. economy that began in the first quarter of 2001 had a similar impact on the State of Michigan (State) and the local economy. Although the City's tax revenues are primarily derived from property taxes, the revenue sharing we receive from the State is derived from sales taxes. Therefore, the declining revenues of the State have meant reductions of revenue sharing with the City. This reduction has meant a belt-tightening for the City with only the bare necessities included in the general fund departmental budgets. Consequently, the City's unreserved general fund balance was used to fund current year expenditures of \$1,046,262 and \$98,544 of the fund balance has been appropriated by budget to fund 2005 fiscal year expenditures. If this estimate is realized, the City will still maintain an unreserved undesignated general fund balance of \$1,724,598 or 36% of General Fund revenues.

CITY OF NILES, MICHIGAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances to its citizens, customers, investors, and creditors and to demonstrate the City's accountability for the money it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to the following:

Finance Director/City Treasurer  
City of Niles Finance Office  
322 East Main Street  
P. O. Box 217  
Niles, MI 49120-0217

CITY OF NILES  
STATEMENT OF NET ASSETS  
September 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash investments (Notes 2 and 3)	\$ 3,503,791	\$ 7,265,297	\$ 10,769,088	\$ 27,880
Investments (Notes 2 and 3)	3,355,883	5,152,247	8,508,130	294,908
Receivables (net, where applicable, of allowances for uncollectibles):				
Taxes	286,237	-	286,237	-
Special assessments	20,368	-	20,368	-
State and federal revenues	1,206,070	-	1,206,070	-
Accounts	52,159	738,128	790,287	7,438
Internal balances	182,468	(176,832)	5,636	-
Miscellaneous	-	11,711	11,711	-
Accrued interest	31,931	32,163	64,094	-
Notes receivable (Note 4)	573,017	-	573,017	-
Inventories (Note 2)	16,875	703,722	720,597	-
Prepaid expenses	17,322	14,882	32,204	470
Deferred bond issuance costs	-	123,921	123,921	-
Property, plant and equipment, less accumulated depreciation (Notes 2 and 6)	8,297,939	13,383,006	21,680,945	2,115,635
<b>Total assets</b>	<b>\$ 17,544,060</b>	<b>\$ 27,248,245</b>	<b>\$ 44,792,305</b>	<b>\$ 2,446,331</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 594,398	\$ 906,156	\$ 1,500,554	\$ 34,029
Contingent property taxes payable (Note 2)	11,000	-	11,000	-
Accrued expenses	303,722	69,870	373,592	7,200
Customer deposits	-	144,676	144,676	23,673
Internal balances	62,926	-	62,926	-
Deferred revenues (Note 2)	2,865,388	-	2,865,388	253
Non-current liabilities (Note 7)				
Due within one year	234,163	60,000	294,163	-
Due in more than one year	1,470,260	5,766,746	7,237,006	28,795
<b>Total liabilities</b>	<b>5,541,857</b>	<b>6,947,448</b>	<b>12,489,305</b>	<b>93,950</b>
<b>NET ASSETS</b>				
Invested in capital assets (net of related debt)	8,285,439	13,506,927	21,792,366	-
Restricted for:				
Equipment replacement	-	2,169,745	2,169,745	-
Highways and streets	464,988	-	464,988	-
Community development	1,272,566	-	1,272,566	-
Transportation	314,985	-	314,985	-
Other	827,110	-	827,110	-
Unrestricted				
Designated for county tax revolving fund	508,569	-	508,569	-
Designated for subsequent year's expenditures	307,686	-	307,686	-
Undesignated	20,860	4,624,125	4,644,985	2,352,381
<b>Total net assets</b>	<b>\$ 12,002,203</b>	<b>\$ 20,300,797</b>	<b>\$ 32,303,000</b>	<b>\$ 2,352,381</b>

See accompanying notes to basic financial statements.

CITY OF NILES  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2004

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 1,424,835	\$ 123,889	\$ -	\$ -	\$ (1,300,946)	\$ -	\$ (1,300,946)	\$ -
Public safety	3,363,121	203,046	52,487	19,448	(3,088,140)	-	(3,088,140)	-
Highways and streets	1,379,033	92,314	842,417	-	(444,302)	-	(444,302)	-
Transportation	828,609	77,671	209,275	182,346	(359,317)	-	(359,317)	-
Sanitation and sewers	467,982	3,191	-	-	(464,791)	-	(464,791)	-
Culture and recreation	235,503	515	-	-	(234,988)	-	(234,988)	-
Conservation	79,981	-	-	-	(79,981)	-	(79,981)	-
Community development	1,952,570	106,783	85,894	1,384,373	(375,520)	-	(375,520)	-
Other	509,505	-	14,383	-	(495,122)	-	(495,122)	-
Debt service:								
Interest and fiscal agent fees	58,272	-	-	-	(58,272)	-	(58,272)	-
Total governmental activities	10,299,411	607,409	1,204,456	1,586,167	(6,901,379)	-	(6,901,379)	-
Business-type activities:								
Electric	9,008,383	8,483,518	-	3,740	-	(521,125)	(521,125)	-
Water	1,405,958	1,464,475	-	-	-	58,517	58,517	-
Sewage	2,192,519	1,723,934	-	-	-	(468,585)	(468,585)	-
Airport	28,365	36,959	-	-	-	8,594	8,594	-
Cemetery	142,514	73,549	-	-	-	(68,965)	(68,965)	-
Golf	214,440	183,424	-	-	-	(31,016)	(31,016)	-
Total business-type activities	12,992,179	11,965,859	-	3,740	-	(1,022,580)	(1,022,580)	-
Total primary government	\$ 23,291,590	\$ 12,573,268	\$ 1,204,456	\$ 1,589,907	\$ (6,901,379)	\$ (1,022,580)	\$ (7,923,959)	\$ -
<b>Component Unit</b>								
Niles Housing Commission	\$ 848,423	\$ 433,783	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (414,640)
<b>General Revenues:</b>								
<b>Taxes:</b>								
Property taxes, levied for general purposes					2,569,152	-	2,569,152	-
Property taxes, levied for transportation purposes					97,944	-	97,944	-
Property taxes, levied for community development purposes					64,405	-	64,405	-
Industrial/commercial facilities					69,374	-	69,374	-
Payments in lieu of taxes					38,842	-	38,842	-
Penalties and interest on delinquent property taxes					17,734	-	17,734	-
Tax administration fees					115,765	-	115,765	-
State-shared revenues					1,492,904	-	1,492,904	-
Investment earnings					102,098	151,811	253,909	7,291
Insurance fund contributions					373,425	-	373,425	-
Miscellaneous revenues					108,544	60,144	168,688	200
<b>Transfers:</b>								
Subsidy transfers					451,693	40,882	492,575	-
Other transfers					-	687	687	657,288
Total general revenues					5,501,880	253,524	5,755,404	664,779
Change in net assets					(1,399,499)	(769,056)	(2,168,555)	250,139
Net assets, beginning of year					13,401,702	21,069,853	34,471,555	2,102,242
Net assets, end of year					\$ 12,002,203	\$ 20,300,797	\$ 32,303,000	\$ 2,352,381

See accompanying notes to basic financial statements.

CITY OF NILES  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2004

	General Fund	Community Development Housing Fund	Insurance Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash investments (Notes 2 and 3)	\$ 1,657,714	\$ 1,206	\$ 303,303	\$ 1,541,568	\$ 3,503,791
Investments (Notes 2 and 3)	2,529,960	-	-	825,923	3,355,883
Receivables (net, where applicable, of allowances for uncollectibles):					
Taxes	276,374	-	-	9,863	286,237
Special assessments	1,270	-	-	36	1,306
Special assessments - deferred	14,982	-	-	4,080	19,062
State and federal revenues	300,709	735,300	-	170,061	1,206,070
Accounts	2,159	-	-	50,000	52,159
Accrued interest	27,931	-	-	4,000	31,931
Notes receivable (Note 4)	-	-	-	573,017	573,017
Due from other funds (Note 8)	815,044	34,291	419	147,211	996,965
Prepaid expenses	-	17,322	-	-	17,322
Total assets	<u>\$ 5,626,143</u>	<u>\$ 788,119</u>	<u>\$ 303,722</u>	<u>\$ 3,325,759</u>	<u>\$ 10,043,743</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 162,368	\$ 299,561	-	\$ 132,469	\$ 594,398
Accrued expenses	-	-	303,722	-	303,722
Contingent property taxes payable (Note 2)	11,000	-	-	-	11,000
Due to other funds (Note 8)	291,697	483,322	-	102,404	877,423
Deferred revenues (Note 2)	<u>2,829,367</u>	<u>-</u>	<u>-</u>	<u>55,083</u>	<u>2,884,450</u>
Total liabilities	<u>3,294,432</u>	<u>782,883</u>	<u>303,722</u>	<u>289,956</u>	<u>4,670,993</u>
<b>FUND EQUITY</b>					
Unreserved reported in:					
General Fund					
Designated for county tax revolving fund	508,569	-	-	-	508,569
Designated for subsequent year's expenditures	98,544	-	-	-	98,544
Undesignated	1,724,598	-	-	-	1,724,598
Special Revenue Funds					
Designated for subsequent year's expenditures	-	-	-	209,142	209,142
Undesignated	-	5,236	-	1,831,777	1,837,013
Capital Projects Funds, undesignated	-	-	-	167,774	167,774
Permanent Funds, undesignated	-	-	-	827,110	827,110
Total fund equity	<u>2,331,711</u>	<u>5,236</u>	<u>-</u>	<u>3,035,803</u>	<u>5,372,750</u>
	<u>\$ 5,626,143</u>	<u>\$ 788,119</u>	<u>\$ 303,722</u>	<u>\$ 3,325,759</u>	<u>\$ 10,043,743</u>

See accompanying notes to basic financial statements.

CITY OF NILES  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
September 30, 2004

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Fund balances - total governmental funds		\$ 5,372,750
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 15,262,100	
Less accumulated depreciation	<u>(6,964,161)</u>	8,297,939
Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Inventories	<u>16,875</u>	16,875
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds		
Governmental bonds payable	(530,000)	
Governmental notes and capital leases payable	(556,339)	
Compensated absences	(598,084)	
Accrued retiree life insurance benefits	<u>(20,000)</u>	(1,704,423)
Deferred revenue in governmental funds is susceptible to full accrual on the government-wide financial statements		<u>19,062</u>
Net assets of governmental activities		<u>\$ 12,002,203</u>

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See accompanying notes to basic financial statements.



CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended September 30, 2004

	General Fund	Community Development Housing Rehabilitation Fund	Insurance Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 2,675,787	\$ -	\$ -	\$ 162,349	\$ 2,838,136
Special assessments	-	-	-	651	651
Federal revenues	48,203	1,049,490	-	141,538	1,239,231
State-shared revenues	1,496,909	240,037	-	1,095,455	2,832,401
Investment income and penalties	67,444	14	412	51,962	119,832
Fines and forfeits	53,597	-	-	-	53,597
Licenses and permits	30,686	-	-	108,366	139,052
Tax collection fees	115,765	-	-	-	115,765
Charges for services	244,732	-	-	169,985	414,717
Contributions	279	-	1,600,065	112,870	1,713,214
Program revenues	-	38,198	-	3,900	42,098
Other	108,544	56,648	-	-	165,192
Total revenues	<u>4,841,946</u>	<u>1,384,387</u>	<u>1,600,477</u>	<u>1,847,076</u>	<u>9,673,886</u>
Expenditures					
General government	1,507,419	-	-	-	1,507,419
Public safety	4,482,729	-	-	-	4,482,729
Highways and streets	826,230	-	-	1,022,378	1,848,608
Transportation (Note 11)	142,083	-	-	653,118	795,201
Sanitation and sewers	288,454	-	-	-	288,454
Culture and recreation	300,119	-	-	-	300,119
Conservation	79,981	-	-	-	79,981
Community development	-	1,682,248	-	236,277	1,918,525
Sewer maintenance	-	-	-	227,944	227,944
Debt service	121,566	-	-	51,164	172,730
Other	-	-	1,736,145	-	1,736,145
Total expenditures	<u>7,748,581</u>	<u>1,682,248</u>	<u>1,736,145</u>	<u>2,190,881</u>	<u>13,357,855</u>
Deficiency of revenues under expenditures	<u>(2,906,635)</u>	<u>(297,861)</u>	<u>(135,668)</u>	<u>(343,805)</u>	<u>(3,683,969)</u>
Other financing sources (uses) (Note 9)					
Operating transfers in	2,126,244	183,545	135,668	561,717	3,007,174
Operating transfers out	(265,871)	-	-	(1,715,297)	(1,981,168)
Total other financing sources (uses)	<u>1,860,373</u>	<u>183,545</u>	<u>135,668</u>	<u>(1,153,580)</u>	<u>1,026,006</u>
Net change in fund balances	(1,046,262)	(114,316)	-	(1,497,385)	(2,657,963)
Fund balance at beginning of year	<u>3,377,973</u>	<u>119,552</u>	<u>-</u>	<u>4,533,188</u>	<u>8,030,713</u>
Fund balance at end of year	<u>\$ 2,331,711</u>	<u>\$ 5,236</u>	<u>\$ -</u>	<u>\$ 3,035,803</u>	<u>\$ 5,372,750</u>

See accompanying notes to basic financial statements.

CITY OF NILES  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year ended September 30, 2004

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Net change in fund balances - total governmental funds	\$	(2,657,963)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$	1,723,141
Less current year depreciation	<u>(563,432)</u>	1,159,709

Governmental funds report inventory purchases as expenditures

Decrease in inventories	<u>(2,592)</u>	(2,592)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Repayment of bonds	114,458	
Compensated absences	<u>(14,084)</u>	100,374

Change in deferred income in governmental funds, not deferred in government-wide

	<u>973</u>	<u>973</u>
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Change in net assets of governmental funds	\$	<u>(1,399,499)</u>
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See accompanying notes to basic financial statements.

CITY OF NILES  
BALANCE SHEET- PROPRIETARY FUNDS  
September 30, 2004

	Business-Type Activities: Enterprise Funds		
	Electric Fund	Water Fund	Sewage Fund
Current assets			
Cash and cash investments	\$ 3,354,170	\$ 1,493,327	\$ 2,182,855
Investments, at amortized cost, which approximates market	1,000,000	4,152,247	-
Receivables:			
Customer accounts (net of allowance for doubtful accounts of \$30,000)	545,443	77,744	114,941
Miscellaneous	4,837	6,874	-
Due from other funds	548,717	956	-
Accrued interest	24,215	6,989	947
Inventories	625,719	70,393	7,610
Prepaid expenses	5,543	4,232	5,107
Total current assets	<u>6,108,644</u>	<u>5,812,762</u>	<u>2,311,460</u>
Deferred bond issuance costs	-	123,921	-
Property, plant and equipment			
Land	120,108	156,341	18,812
Improvements, other than buildings	308,442	4,761,507	-
Buildings	2,318,571	132,635	5,739,943
Machinery and equipment	13,592,480	614,055	14,284,966
Construction work in progress	286,918	631,674	489,416
	16,626,519	6,296,212	20,533,137
Less, Accumulated depreciation	<u>11,443,102</u>	<u>3,379,758</u>	<u>15,638,537</u>
Net property, plant and equipment	<u>5,183,417</u>	<u>2,916,454</u>	<u>4,894,600</u>
Total assets	<u>\$ 11,292,061</u>	<u>\$ 8,853,137</u>	<u>\$ 7,206,060</u>

See accompanying notes to basic financial statements.

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<u>Airport Fund</u>	<u>Cemetery Fund</u>	<u>Plym Park Golf Fund</u>	<u>Totals</u>
\$ 106,676	\$ 84,586	\$ 43,683	\$ 7,265,297
-	-	-	5,152,247
-	-	-	738,128
-	-	-	11,711
-	-	-	549,673
12	-	-	32,163
-	-	-	703,722
-	-	-	14,882
<u>106,688</u>	<u>84,586</u>	<u>43,683</u>	<u>14,467,823</u>
-	-	-	123,921
64,859	20,000	7,555	387,675
261,707	42,172	6,936	5,380,764
63,015	26,618	64,048	8,344,830
98,039	131,325	346,273	29,067,138
-	-	-	1,408,008
<u>487,620</u>	<u>220,115</u>	<u>424,812</u>	<u>44,588,415</u>
<u>315,450</u>	<u>165,256</u>	<u>263,306</u>	<u>31,205,409</u>
<u>172,170</u>	<u>54,859</u>	<u>161,506</u>	<u>13,383,006</u>
<u>\$ 278,858</u>	<u>\$ 139,445</u>	<u>\$ 205,189</u>	<u>\$ 27,974,750</u>

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CITY OF NILES  
BALANCE SHEET - PROPRIETARY FUNDS  
September 30, 2004

	Business-Type Activities:		
	Enterprise Funds		
	Electric Fund	Water Fund	Sewage Fund
Current liabilities			
Accounts payable	\$ 716,605	\$ 82,407	\$ 89,250
Accrued expenses	42,345	8,525	19,000
Customer deposits	117,314	27,362	-
Due to other funds	224,551	15,471	486,211
Current maturities of bonds payable	-	60,000	-
Total current liabilities	1,100,815	193,765	594,461
Long-term liabilities			
Bonds payable	-	5,766,746	-
Total liabilities	1,100,815	5,960,511	594,461
Net assets			
Invested in capital assets	5,183,417	3,040,375	4,894,600
Restricted for equipment replacement	-	-	2,169,745
Unrestricted	5,007,829	(147,749)	(452,746)
Total net assets	10,191,246	2,892,626	6,611,599
Total liabilities and net assets	\$ 11,292,061	\$ 8,853,137	\$ 7,206,060

See accompanying notes to basic financial statements.

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<u>Airport Fund</u>	<u>Cemetery Fund</u>	<u>Plym Park Golf Fund</u>	<u>Totals</u>
\$ 142	\$ 560	\$ 17,192	\$ 906,156
-	-	-	69,870
-	-	-	144,676
263	-	9	726,505
-	-	-	60,000
<u>405</u>	<u>560</u>	<u>17,201</u>	<u>1,907,207</u>
-	-	-	5,766,746
<u>405</u>	<u>560</u>	<u>17,201</u>	<u>7,673,953</u>
172,170	54,859	161,506	13,506,927
-	-	-	2,169,745
<u>106,283</u>	<u>84,026</u>	<u>26,482</u>	<u>4,624,125</u>
<u>278,453</u>	<u>138,885</u>	<u>187,988</u>	<u>20,300,797</u>
<u>\$ 278,858</u>	<u>\$ 139,445</u>	<u>\$ 205,189</u>	<u>\$ 27,974,750</u>

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CITY OF NILES  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS  
Year ended September 30, 2004

	Business-Type Activities:		
	Enterprise Funds		
	Electric Fund	Water Fund	Sewage Fund
Operating revenues			
Charges for services	\$ 8,417,183	\$ 1,451,115	\$ 1,707,490
Penalties and fees	53,098	12,407	9,674
Rents and royalties	-	-	-
Other	13,237	953	6,770
Total operating revenues	<u>8,483,518</u>	<u>1,464,475</u>	<u>1,723,934</u>
Operating expenses			
Production	5,901,414	178,354	-
Transmission	19,019	-	-
Distribution	1,151,752	514,662	-
Depreciation	399,294	155,853	251,896
Processing	-	-	1,115,903
Sewage collection	-	-	227,484
Other operations	-	-	22,789
Administrative and general	1,168,478	552,592	579,869
	<u>8,639,957</u>	<u>1,401,461</u>	<u>2,197,941</u>
Less, Distributed expenses	<u>39,790</u>	<u>26,300</u>	<u>5,422</u>
Net operating expenses	<u>8,600,167</u>	<u>1,375,161</u>	<u>2,192,519</u>
Operating income (loss)	<u>(116,649)</u>	<u>89,314</u>	<u>(468,585)</u>
Nonoperating revenues			
Interest, net	81,994	43,576	24,918
Rents	14,553	-	-
Tap fees	-	13,265	-
Other	7,337	20,903	7,826
Total nonoperating revenues	<u>103,884</u>	<u>77,744</u>	<u>32,744</u>
Services provided to City	<u>(408,216)</u>	<u>(30,797)</u>	<u>-</u>
Transfers in, net	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in retained earnings	<u>(420,981)</u>	<u>136,261</u>	<u>(435,841)</u>
Retained earnings at beginning of year	<u>10,612,227</u>	<u>2,756,365</u>	<u>7,047,440</u>
Retained earnings at end of year	<u>\$ 10,191,246</u>	<u>\$ 2,892,626</u>	<u>\$ 6,611,599</u>

See accompanying notes to basic financial statements.

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<u>Airport Fund</u>	<u>Cemetery Fund</u>	<u>Plym Park Golf Fund</u>	<u>Totals</u>
\$ 1,833	\$ 73,319	\$ 124,460	\$ 11,775,400
-	-	-	75,179
32,940	-	57,491	90,431
2,186	230	1,473	24,849
<u>36,959</u>	<u>73,549</u>	<u>183,424</u>	<u>11,965,859</u>
-	-	-	6,079,768
-	-	-	19,019
-	-	-	1,666,414
12,848	12,409	23,612	855,912
-	-	-	1,115,903
-	-	-	227,484
15,517	130,105	190,828	359,239
-	-	-	2,300,939
<u>28,365</u>	<u>142,514</u>	<u>214,440</u>	<u>12,624,678</u>
-	-	-	71,512
<u>28,365</u>	<u>142,514</u>	<u>214,440</u>	<u>12,553,166</u>
<u>8,594</u>	<u>(68,965)</u>	<u>(31,016)</u>	<u>(587,307)</u>
566	482	275	151,811
-	-	-	14,553
-	-	-	13,265
-	-	-	36,066
<u>566</u>	<u>482</u>	<u>275</u>	<u>215,695</u>
-	-	-	(439,013)
<u>687</u>	<u>40,882</u>	<u>-</u>	<u>41,569</u>
9,847	(27,601)	(30,741)	(769,056)
<u>268,606</u>	<u>166,486</u>	<u>218,729</u>	<u>21,069,853</u>
<u>\$ 278,453</u>	<u>\$ 138,885</u>	<u>\$ 187,988</u>	<u>\$ 20,300,797</u>

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**CITY OF NILES**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**Year Ended September 30, 2004**

Business-Type Activities:

Enterprise Funds

	Electric Fund	Water Fund	Sewage Fund	Airport Fund	Cemetery Fund	Plym Park Golf Fund	Totals
<b>Cash flows from operating activities:</b>							
Receipts from customers	\$ 8,593,088	\$ 1,413,865	\$ 2,207,991	\$ 34,773	\$ 73,320	\$ 124,460	\$ 12,447,497
Payments to suppliers	(7,186,313)	(424,135)	(1,054,669)	(18,334)	(52,272)	(69,209)	(8,804,932)
Payments to employees	(1,291,705)	(712,513)	(886,428)	-	(59,345)	(122,177)	(3,072,168)
Service provided to City	(408,216)	(30,797)	-	-	-	-	(439,013)
Other receipts	-	-	-	3,136	41,226	58,963	103,325
Net cash from (used in) operating activities	(293,146)	246,420	266,894	19,575	2,929	(7,963)	234,709
<b>Cash flows from capital and related financing activities:</b>							
Bond proceeds	-	5,826,746	-	-	-	-	5,826,746
Bond issuance costs	-	(123,921)	-	-	-	-	(123,921)
Acquisition of capital assets	(572,592)	(768,629)	(610,173)	(13,559)	(21,000)	(42,224)	(2,028,177)
Net cash from (used in) by capital and related financing activities	(572,592)	4,934,196	(610,173)	(13,559)	(21,000)	(42,224)	3,674,648
<b>Cash flows from investing activities:</b>							
Investment earnings	103,884	77,744	32,744	566	482	275	215,695
Purchase of investments	(20,000)	(4,152,247)	-	-	-	-	(4,172,247)
Net cash from (used in) investing activities	83,884	(4,074,503)	32,744	566	482	275	(3,956,552)
Net increase (decrease) in cash and cash investments	(781,854)	1,106,113	(310,535)	6,582	(17,589)	(49,912)	(47,195)
Cash and cash investments, beginning of year	4,136,024	387,214	2,493,390	100,094	102,175	93,595	7,312,492
Cash and cash investments, end of year	\$ 3,354,170	\$ 1,493,327	\$ 2,182,855	\$ 106,676	\$ 84,586	\$ 43,683	\$ 7,265,297
<b>Reconciliation of operating income (loss) to net cash from (used in) operating activities:</b>							
Operating income (loss)	\$ (116,649)	\$ 89,314	\$ (468,585)	\$ 8,594	\$ (68,965)	\$ (31,016)	\$ (587,307)
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities:							
Depreciation	462,057	128,207	248,683	12,848	12,409	23,612	887,816
Transfers	-	-	-	687	40,882	-	41,569
Loss on sale of fixed assets	4,648	-	-	-	-	-	4,648
Services provided to City	(408,216)	(30,797)	-	-	-	-	(439,013)
Changes in operating assets and liabilities:							
Accounts receivable	(11,698)	14,001	10,414	-	-	-	12,717
Due to/from other funds	(316,888)	7,629	428,091	263	114	(1)	119,208
Accrued interest	(8,431)	(6,924)	(244)	-	-	-	(15,599)
Inventories	3,863	(5,940)	976	-	-	-	(1,101)
Prepaid expenses	(480)	(495)	(647)	3,450	21,000	-	22,828
Accounts payable	97,393	52,037	50,634	(6,267)	(2,511)	(558)	190,728
Accrued expenses	(8,749)	(3,310)	(2,428)	-	-	-	(14,487)
Customer deposits	10,004	2,698	-	-	-	-	12,702
Net cash from (used in) operating activities	\$ (293,146)	\$ 246,420	\$ 266,894	\$ 19,575	\$ 2,929	\$ (7,963)	\$ 234,709

See accompanying notes to basic financial statements.

CITY OF NILES  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2004

	Pension Reserve Trust <u>Fund</u>	Tax Collection Agency <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash investments	\$ 177,050	\$ (8,197)	\$ 168,853
Taxes receivable	-	197,776	197,776
Due from other funds	-	62,926	62,926
	<u>177,050</u>	<u>252,505</u>	<u>429,555</u>
Investments, at market value, cost of \$25,362,510 in pooled collective funds of financial institutions	<u>26,583,283</u>	<u>-</u>	<u>26,583,283</u>
Total assets	<u>\$ 26,760,333</u>	<u>\$ 252,505</u>	<u>\$ 27,012,838</u>
<b>LIABILITIES</b>			
Current liabilities			
Due to other funds	\$ -	\$ 5,636	\$ 5,636
Due to other taxing units	-	246,869	246,869
Total current liabilities	<u>-</u>	<u>252,505</u>	<u>252,505</u>
<b>NET ASSETS</b>			
Reserved for employees' retirement system	<u>\$ 26,760,333</u>	<u>\$ -</u>	<u>\$ 26,760,333</u>

See accompanying notes to basic financial statements.

CITY OF NILES  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended September 30, 2004

	Pension Reserve Trust <u>Fund</u>
<b>Additions</b>	
Contributions:	
Employer contributions	\$ 76,849
Employee contributions	382,609
Total contributions	<u>459,458</u>
Investment earnings:	
Unrealized gains	1,427,678
Realized gains	393,916
Interest and dividend income	557,374
Total investment earnings	<u>2,378,968</u>
Less investment expenses:	
Trustee fees	<u>(51,549)</u>
Net investment income	<u>2,327,419</u>
Total additions	<u>2,786,877</u>
<b>Deductions</b>	
Benefit payments	1,488,591
Refunds	233,302
Actuarial fees	<u>15,474</u>
Total deductions	<u>1,737,367</u>
Net increase	1,049,510
Net assets at beginning of year	<u>25,710,823</u>
Net assets at end of year	<u><u>\$ 26,760,333</u></u>

See accompanying notes to basic financial statements.

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 1 - REPORTING ENTITY**

The City of Niles, Michigan (the "City") was incorporated on November 26, 1979 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Administrator form of government and provides the following services: public safety (police and fire), highways and streets, utilities (electric, water and sewer), culture and recreation, public improvement, transportation, planning and zoning and general administrative services.

As required by *Governmental Accounting Standards Board Statement No. 14*, "The Financial Reporting Entity", the accompanying basic financial statements present the funds administered by the City (primary government) and its component unit, the Niles Housing Commission ("Housing Commission"). The component unit is discretely presented as a separate column in the basic financial statements to emphasize it is legally separate from the City.

The Housing Commission has a five member governing board which is appointed by the City Administrator. The Housing Commission provides safe, sanitary and decent housing for qualifying senior and low income families in the City. The Housing Commission determines its own budget, subject to federal approval, sets rental rates and may issue debt in its own name. The City is not responsible for deficits or liabilities of the Housing Commission and does not have the ability to influence its day-to-day operations. However, the City does provide some services at no charge to the Housing Commission and the Housing Commission makes payments in lieu of taxes to the City, thus the City is considered to be financially accountable for the Housing Commission. The Housing Commission has a December 31 fiscal year and, accordingly, the financial statements of the component unit included discretely herein are as of and for the year ended December 31, 2003.

The City of Niles Building Authority (the "Building Authority") was established on September 8, 1997 to acquire and construct property and buildings for use for any legitimate public purpose of the City. The Building Authority has a three member governing commission which is made up of three City officers. Specifically, it was created to acquire and construct an addition to the existing Niles District Library facility. The Building Authority issued bonds to finance part of the estimated cost of this project and the City entered into a lease agreement with the Building Authority to pay rental to the Building Authority in amounts equal to all sums necessary to retire the principal and interest on these bonds (see Note 7).

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 1 - REPORTING ENTITY (Continued)**

The City entered into a sublease agreement with the Niles Community Library (the "Library") whereby the Library assumed all of the City's obligations to pay the rentals as defined in the primary lease between the City and the Building Authority. Due to the nature of these leases, the City is considered to be financially accountable for the Building Authority and as such, the Building Authority is considered to be a component unit of the City. As the Building Authority provides services entirely to the City, this component unit has been included in the City's basic financial statements using the blending method. The Building Authority has a September 30 fiscal year end and, accordingly, the financial statements of the component unit included herein are as of and for the year ended September 30, 2004.

The Niles Community Library and Niles Community Schools are considered to be separate entities and are not included in the City's basic financial statements as the City does not have control over either of these entities' board member appointments nor does it have significant influence over the operations or fiscal management of these entities.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City conform to accounting principles generally accepted in the United States of America applicable to governments. The following is a summary of the more significant policies.

**A. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as receivable in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Deferred revenues are recorded because the September general tax levy will be the budgeted revenues for the subsequent fiscal year. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Governmental funds expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to accumulated unpaid vacation, sick pay, and other employee amounts, are recorded only when payment is due.

On the governmental funds statement, state-shared revenues, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all the resources traditionally associated with governments which are not required to be accounted for in another fund (administration, police, fire, engineering, streets and highways, etc.)

The *Community Development Housing Rehabilitation Fund* accounts for the receipts and disbursements from activities related to the City's improvements in the community including the grants received and funds spent for the rehabilitation of the City's downtown buildings and streets.

The *Insurance Fund* accounts for the contributions received from other funds and employees and benefit payments made for the City's self-insured employee health plan. It also accounts for the state unemployment compensation activity.

*Other Governmental Funds* is the summarization of all of the nonmajor governmental funds.

The City reports the following major proprietary funds:

The *Electric Fund* accounts for the operation and maintenance of the City's electric system. Financing is provided primarily by residential and commercial user charges.

The *Sewage Fund* accounts for the operation and maintenance of the City's sewage disposal system, which includes a wastewater treatment plant, diversion chambers, lift stations and meters. Financing is provided primarily by residential and commercial user charges from the City and surrounding municipalities.

The *Water Fund* accounts for the operation and maintenance of the City's water network of wells, towers and mains. Financing is provided primarily by residential and commercial user charges from the City and surrounding municipalities.

The *Airport Fund* accounts for the operation and maintenance of the City's municipal airport. Financing is provided primarily by property rental and contributions from other funds.

The *Cemetery Fund* accounts for the operation and maintenance of the City's cemetery. Financing is provided by lot and vault sales, user charges and transfers from the Cemetery Endowment Permanent Fund.

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The *Plym Park Golf Fund* accounts for the operation and maintenance of the City's nine-hole golf course. Financing is provided by user charges and cart rentals.

Additionally, the City reports the following other fund types:

The *Pension Reserve Trust Fund* accounts for the accumulation and payment of resources for the City's defined benefit pension plan, which provides retirement benefits for its qualifying retired employees. Resources are contributed to the fund from the various funds of the City at amounts determined by an annual actuarial study and are accumulated in a trust fund maintained at Fifth Third Bank.

The *Agency Fund* accounts for the collection and distribution of property taxes for Berrien County, Niles Community Schools and other taxing authorities, collected by the City on their behalf.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's electric, water and sewage functions and various other functions of the government. Elimination of these charges would distort costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for

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(Continued)



CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Budgets and Budgetary Accounting.**

The City follows these procedures in establishing the budgetary data reflected in the supplementary information:

1. Prior to July 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Senior Citizen Center of Niles to obtain taxpayer comments.
3. Prior to September 1, the budget is legally enacted through passage of a resolution.
4. The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Improvement Funds and Debt Service Funds.
6. Budgets for the General, Special Revenue, Capital Improvement and Debt Service Funds are adopted on a modified accrual basis consistent with accounting principles generally accepted in the United States of America ("GAAP"). Budgeted amounts, included herein, are as originally adopted on August 25, 2003.

**D. Cash Equivalents**

For purposes of the proprietary funds statements of cash flows, the City considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**E. Investments.**

Investments, other than short-term investments, are carried at fair value in accordance with *Governmental Accounting Standards Board Statement No. 31, "Certain Investments and External Investment Pools"*.

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Inventories.**

Inventories of the Enterprise Funds are valued at average unit cost, which is not in excess of market. Inventories of the General Fund and Special Revenue Funds consist of expendable supplies held for consumption, and the costs are recorded as expenditures at the time these supply items are purchased in the fund financial statements but are recorded as inventories in the government-wide financial statements.

**G. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns of the government-wide financial statements. Capital assets are defined by the City as tangible property having a useful life in excess of 3 years and whose cost exceeds \$2,000.

All capital assets are carried at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at their estimated fair value on the date donated. Prior balances of infrastructure assets (public domain assets such as roads, bridges, curbs and gutters, streets and sidewalks) are not included in the capital assets as of September 30, 2004. There were no infrastructure assets acquired in the current year.

Depreciation of all exhaustible capital assets by the City is charged as an expense against its various functions. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	25 - 50 years
Improvements	10 - 30 years
Equipment	3 - 10 years
Vehicles and heavy equipment	3 - 15 years

**H. Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt, notes, and other obligations are reported as liabilities in the applicable governmental activities and business-type activities statements of net assets, or proprietary fund type balance sheets.

In the fund financial statements, governmental fund types report the face amount of debt as other financing sources and principal payments of long-term debt as expenditures.

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

**J. Property Taxes**

The City property tax is levied each July 1 on the state equalized value of property located in the City as of the preceding December 31. Taxes are due on the date levied and become delinquent on February 15 of the year following the levy. Delinquent property taxes are turned over to the County for collection on March 1.

Although the City ad valorem tax is levied and collectible on July 1 and due without penalty on or before September 15, it is the City's policy to recognize revenue from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of operations.

The City receives a large portion of its operating revenues from its property tax millage. Berrien County issues general obligation bonds and remits to the City its full portion of the unpaid delinquent real property tax levy, with the requirement that the City return to the County any tax later determined to be uncollectible, plus interest. Accordingly, contingent property taxes payable are reflected in the basic financial statements based upon the historical experience of the City's uncollectible real property tax receivable.

The 2004 taxable valuation of the City totaled \$195,111,005, on which ad valorem taxes levied consisted of 14.133 mills for City operating purposes and .4945 mills for Dial-A-Ride Transportation (DART) services, raising approximately \$2,758,000 for operating and \$96,000 for DART. These amounts are recognized in the respective General and DART Fund financial statements.

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. As of September 30, 2004, the various components of deferred revenues are as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	\$ -	\$ (14,982)	\$ (14,982)
Special assessments	19,062	-	19,062
Grant drawdowns	<u>51,003</u>	<u>-</u>	<u>51,003</u>
Total	<u>\$ 70,065</u>	<u>\$ (14,982)</u>	<u>\$ 55,083</u>

**K. Deferred Compensation.**

Effective January 1, 1999, the City adopted *Governmental Accounting Standards Board Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"*, which provides that such plans will not be considered eligible plans unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries. Under these requirements, the City no longer owns the amounts deferred by employees, related income on those amounts, or the related contractual liability to plan participants. Thus the assets and liabilities of the deferred compensation plan have been excluded from the accompanying basic financial statements.

**NOTE 3 - CASH AND INVESTMENTS**

The City's cash and cash investments at September 30, 2004 consisted of operating funds on deposit, non-negotiable certificates of deposit and temporary cash investments in various cash management accounts.

Cash and cash investments aggregated \$10,937,941 at September 30, 2004 and were held at institutions covered by federal depository insurance; however, approximately \$8.2 million of such amount was in excess of federally insured limits. The City believes that due to the dollar amounts of its deposits and the limits of depository insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution in which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories for City funds.

(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

The City is authorized by Michigan Public Acts 217 and 367 of 1982 to invest surplus funds (exclusive of pension funds) in U.S. Government bonds and notes, certain commercial paper, U.S. Government or agency repurchase agreements, bankers' acceptances of U.S. banks and mutual funds. The Employees' Retirement Systems are also authorized by laws of the State of Michigan to invest in certain corporate debt and equity instruments and certain other specified investment vehicles.

The City's investments are categorized below to give an indication of the level of risk assumed by the City at September 30, 2004. Risk Category 1 includes those investments which meet any one of the following criteria:

- a) Insured
- b) Registered
- c) Held by the City or its agent

Risk Categories 2 and 3 include investments which are neither insured nor registered. Category 2 includes investments which are held by the counterparty's trust department (or agent) in the City's name. Category 3 includes investments held by:

- a) The counterparty, or
- b) The counterparty's trust department (or agent) but not in the City's name

	<u>Risk Category</u>			<u>Amortized</u>	<u>Market</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Cost</u>	<u>Value</u>
U.S. Government obligations	\$ 1,000,000	\$ -	\$ 7,354,684	\$ 8,354,684	\$ 8,406,860
Investments in pooled collective funds of financial institutions				<u>25,463,780</u>	<u>26,684,553</u>
Total investments				<u>\$ 33,818,464</u>	<u>\$ 35,091,413</u>

(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

At September 30, 2004, the City's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Cash and cash investments	\$ 3,503,791	\$ 7,265,297	\$ 168,853	\$ 10,937,941	\$ 27,880
Investments	<u>3,355,883</u>	<u>5,152,247</u>	<u>26,583,283</u>	<u>35,091,413</u>	<u>294,908</u>
Total	<u>\$ 6,859,674</u>	<u>\$ 12,417,544</u>	<u>\$ 26,752,136</u>	<u>\$ 46,029,354</u>	<u>\$ 322,788</u>

**NOTE 4 - NOTES RECEIVABLE**

The City has various notes receivable, totalling \$573,017 (net of an allowance for uncollectibles of \$200,000) at September 30, 2004, arising from special low or noninterest bearing loans made to local businesses for community development purposes. These notes have maturities extending through October 2018 and are collateralized by inventories, equipment and real estate.

**NOTE 5 - SEGMENT INFORMATION-ENTERPRISE FUNDS**

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewage Fund</u>
Operating revenues	\$ 8,483,518	\$ 1,464,475	\$ 1,723,934
Depreciation expense	399,294	155,853	251,896
Operating income (loss)	(116,649)	89,314	(468,585)
Net income (loss)	(420,981)	136,261	(435,841)
Capital expenditures, net	572,592	892,550	610,173
Net working capital	5,007,829	5,618,997	1,716,999
Bonds payable	-	5,766,746	-
Total assets	11,292,061	8,853,137	7,206,060
Total fund equity	10,191,246	2,892,626	6,611,599

(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 5 - SEGMENT INFORMATION-ENTERPRISE FUNDS (Continued)**

	Airport Fund	Cemetery Fund	Plym Park Golf Fund
Operating revenues	\$ 34,773	\$ 73,549	\$ 183,424
Depreciation expense	12,848	12,409	23,612
Operating income (loss)	6,408	(68,965)	(31,016)
Operating interfund transfers in, net	687	40,882	-
Net income (loss)	9,847	(27,601)	(30,741)
Capital expenditures, net	13,559	21,000	42,224
Net working capital	106,283	84,026	26,482
Total assets	278,858	139,445	205,189
Total fund equity	278,453	138,885	187,988

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2004 is as follows:

	Balance October 1, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
<b>Governmental Activities</b>				
Capital assets not depreciated:				
Land	\$ 2,084,578	\$ 79,838	\$ -	\$ 2,164,416
Capital assets being depreciated:				
Land improvements	785,107	-	-	785,107
Buildings	4,258,749	1,190,114	-	5,448,863
Equipment	1,629,151	216,159	-	1,845,310
Vehicles and heavy equipment	4,154,367	161,008	47,325	4,268,050
Office equipment and furniture	674,332	76,022	-	750,354
Totals at historical cost	<u>13,586,284</u>	<u>1,723,141</u>	<u>47,325</u>	<u>15,262,100</u>
Less accumulated depreciation for:				
Land improvements	285,555	26,684	-	312,239
Buildings	2,552,396	122,937	-	2,675,333
Equipment	800,626	84,776	-	885,402
Vehicles and heavy equipment	2,277,642	292,854	47,325	2,523,171
Office equipment and furniture	531,835	36,181	-	568,016
Total accumulated depreciation	<u>6,448,054</u>	<u>563,432</u>	<u>47,325</u>	<u>6,964,161</u>
<b>Governmental Activities - Net Capital Assets</b>	<u>\$ 7,138,230</u>	<u>\$ 1,159,709</u>	<u>\$ -</u>	<u>\$ 8,297,939</u>

(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 6 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 29,833
Public safety	195,895
Highways and streets	135,971
Transportation	88,229
Culture and recreation	58,937
Community development	54,567
	<u>\$ 563,432</u>

	Balance October 1, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
<b>Business-Type Activities</b>				
Capital assets not depreciated:				
Land	\$ 387,675	\$ -	\$ -	\$ 387,675
Construction work in process	389,455	1,408,008	389,455	1,408,008
Capital assets being depreciated:				
Improvements, other than buildings	5,230,822	149,942	-	5,380,764
Buildings	8,339,224	11,016	5,410	8,344,830
Machinery and equipment	28,236,664	848,667	18,193	29,067,138
Totals at historical cost	<u>42,583,840</u>	<u>2,417,633</u>	<u>413,058</u>	<u>44,588,415</u>
Less accumulated depreciation for:				
Improvements, other than buildings	2,984,571	109,388	-	3,093,959
Buildings	4,680,757	217,166	5,410	4,892,513
Machinery and equipment	22,671,219	561,263	13,545	23,218,937
Total accumulated depreciation	<u>30,336,547</u>	<u>887,817</u>	<u>18,955</u>	<u>31,205,409</u>
<b>Business-Type Activities - Net Capital Assets</b>	<u>\$ 12,247,293</u>	<u>\$ 1,529,816</u>	<u>\$ 394,103</u>	<u>\$ 13,383,006</u>

(Continued)



CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 6 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to business-type functions as follows:

Electric	\$ 399,294
Water	155,853
Sewage	251,896
Airport	12,848
Cemetery	12,409
Plym Park Gold	<u>23,612</u>
	<u>\$ 855,912</u>

	Balance October 1, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance September 30, <u>2004</u>
<b>Niles Housing Commission</b>				
Capital assets not depreciated:				
Land	\$ 212,091	\$ -	\$ -	\$ 212,091
Construction in process	4,208	395,170	252,583	146,795
Capital assets being depreciated:				
Land improvements	2,118,442	252,583	-	2,371,025
Buildings and improvements	2,595,730	-	-	2,595,730
Equipment	<u>355,769</u>	<u>17,225</u>	<u>-</u>	<u>372,994</u>
Totals at historical cost	5,286,240	664,978	252,583	5,698,635
Total accumulated depreciation	<u>3,435,624</u>	<u>147,376</u>	<u>-</u>	<u>3,583,000</u>
<b>Niles Housing Commission -</b>				
<b>Net Capital Assets</b>	<u>\$ 1,850,616</u>	<u>\$ 517,602</u>	<u>\$ 252,583</u>	<u>\$ 2,115,635</u>

(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 7 - LONG-TERM DEBT**

The following is a summary of individual issues comprising long-term debt of the City at September 30, 2004 and the changes therein for the year then ended.

Primary Government

	Balance October 1, <u>2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance September 30, <u>2004</u>	Amounts due Within <u>One Year</u>
<b>Governmental Activities</b>					
Bonds, loans and leases payable					
General obligation bonds	\$ 555,000	\$ -	\$ 25,000	\$ 530,000	\$ 25,000
Installment loans payable	47,596	-	35,096	12,500	12,500
Capital lease payable	598,201	-	54,362	543,839	57,054
Total bonds, loans and leases payable	<u>1,200,797</u>	<u>-</u>	<u>114,458</u>	<u>1,086,339</u>	<u>94,554</u>
Other liabilities					
Accrued vacation and sick pay	584,000	333,410	319,326	598,084	139,609
Retiree life insurance benefit	20,000	-	-	20,000	-
	<u>604,000</u>	<u>333,410</u>	<u>319,326</u>	<u>618,084</u>	<u>139,609</u>
<b>Total Governmental Activities</b>	<u>1,804,797</u>	<u>333,410</u>	<u>433,784</u>	<u>1,704,423</u>	<u>234,163</u>
<b>Business-Type Activities</b>					
Bonds					
General obligation bonds	-	5,826,746	-	5,826,746	60,000
<b>Total Business-Type Activities</b>	<u>-</u>	<u>5,826,746</u>	<u>-</u>	<u>5,826,746</u>	<u>60,000</u>
<b>Total Primary Government</b>	<u>\$ 1,804,797</u>	<u>\$ 6,160,156</u>	<u>\$ 433,784</u>	<u>\$ 7,531,169</u>	<u>\$ 294,163</u>

Component Unit

**Niles Housing Commission**

**Niles Housing Commission -**

Accrued compensated absences	<u>\$ 29,262</u>	<u>\$ -</u>	<u>\$ 467</u>	<u>\$ 28,795</u>	<u>\$ -</u>
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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 7 - LONG-TERM DEBT (Continued)**

Long-term debt at September 30, 2004 was comprised of the following individual issues:

**General Obligation Bonds**

The bonds relate to the acquisition and construction of the addition to the existing Niles District Library facility by the Building Authority (see Note 1). The City has a lease with the Building Authority to pay rental equal to the sums necessary to retire the Building Authority's bonds which are limited tax full faith and credit general obligations of the City. The bonds are payable in annual installments of principal of \$25,000 to \$50,000 on March 15, with interest payable September 15 and March 15 at rates of 4.75% through March 2014 and 4.8% thereafter until final maturity on March 15, 2018.

\$ 530,000

The bonds relate to the acquisition and construction of a water tower and iron removal system for the City's water supply system together with necessary appurtenances and attachments. The bonds are payable in annual installments of principal of \$60,000 to \$440,000 on October 1, with interest payable October 1 and April 1 at rates of 2.0% to 4.4% with final maturity on October 1, 2023. Amount includes unamortized bond premium of \$26,746 at September 30, 2004.

5,826,746

\$ 6,356,746

**Notes and Capital Lease Payable**

Installment loan payable November 1, 2004

\$ 12,500

Capital lease payable in annual installments of \$83,974 through July 29, 2012 including interest at 4.95%

543,839

\$ 556,339

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 7 - LONG-TERM DEBT (Continued)**

The annual requirements to amortize the City's outstanding long-term bonds, loans and leases payable as of September 30, 2004, including interest of \$2,946,133, are as follows:

Fiscal Year Ending September 30,	<u>Primary Government</u>						
	<u>General Long-Term Debt</u>		<u>Capital Lease Payable</u>		<u>Intallment Loan Payable</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2005	\$ 238,382	\$ 85,000	\$ 26,920	\$ 57,054	\$ 2,400	\$ 12,500	\$ 422,256
2006	235,876	215,000	24,096	59,878	-	-	534,850
2007	230,751	255,000	21,132	62,842	-	-	569,725
2008	223,702	285,000	18,021	65,953	-	-	592,676
2009	214,509	295,000	14,757	69,217	-	-	593,483
2010-2014	914,345	1,630,000	23,024	228,895	-	-	2,796,264
2015-2019	576,792	1,915,000	-	-	-	-	2,491,792
2020-2023	<u>181,426</u>	<u>1,650,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,831,426</u>
Total	<u>\$ 2,815,783</u>	<u>\$ 6,330,000</u>	<u>\$ 127,950</u>	<u>\$ 543,839</u>	<u>\$ 2,400</u>	<u>\$ 12,500</u>	<u>\$ 9,832,472</u>

During the year ended September 30, 2004, interest expense of \$202,221 was incurred on the City's long-term bonds, loans and leases payable, of which \$144,252 was capitalized.

**Other Long-Term Liabilities**

It is anticipated that revenues of the General Fund will be used to liquidate accrued vacation and sick pay and the retiree life insurance benefits for the Governmental Funds.

(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances consisted of the following at September 30, 2003:

<u>Interfund Receivable Fund</u>	<u>Interfund Payable Fund</u>	<u>Amount</u>
General	Major Street	\$ 26,706
	Local Street	18,609
	Building Department	29,204
	Community Development Housing	483,322
	Golf *	9
	Dial-A-Ride Transportation	2,229
	Electric, Water and Sewage *	201,281
	Tax Revolving	53,684
TIFA	Dial-A-Ride Transportation	1,534
	Agency	5,636
	General	43,833
Community Development Housing	Economic Development Grants	24,122
	Water *	10,169
Sewer Maintenance	Sewer *	68,977
Electric, Water and Sewage *	Electric, Water and Sewage *	445,387
	General	104,286
Dial-A-Ride Transportation	Airport*	263
	Tax Revolving	18,003
	General Fund	6,727
Local Improvement	Tax Revolving	2,238
Trust and Agency	General	62,926
Insurance	Electric *	419
		<u>\$ 1,609,564</u>

\* These interfund balances are between Governmental Funds and Enterprise Funds and are therefore classified as internal balances on the government-wide financial statements.

(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

**NOTE 9 - INTERFUND TRANSFERS**

Transfers within individual funds consisted of the following for the year ended September 30, 2004:

Transfers in <u>Fund</u>	Transfers Out <u>Fund</u>	<u>Amount</u>
General	Major Street *	\$ 265,846
	Local Street *	260,051
	Equipment Replacement **	110,202
	Economic Development Industrial Park **	1,190,114
	Sewer Maintenance *	48,416
	Electric, Water, Sewage *	251,615
Local Street	General **	100,000
	Major Street **	200,000
Tax Increment Financing Authority	General **	5,000
Building Department	General **	14,516
CHIP Community Development Housing	Tax Increment Financing Authority **	6,950
	Economic Development Grants and Loans **	161,976
	Electric *	4,450
	Water *	10,169
Airport	General	687
Equipment Replacement	General **	10,000
Cemetery	Cemetery Endowment	40,882
Economic Development Industrial Park	Economic Development Grants and Loans **	4,257
Sewer Maintenance	Sewage *	227,944
Insurance	General **	135,668
Electric, Water, Sewage*	Local Improvement Revolving	916

\* These transfers represent transfers with other funds and are classified as revenues or expenditures (not transfers) by these funds.

\*\* These transfers are within governmental funds and are therefore eliminated from the government-wide financial statements. All other transfers are shown as net transfers in the government-wide statement of activities, subject to the explanation for those designated with \*, explained above.

(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 10 - EMPLOYEE BENEFIT PLANS**

The City has two contributory, single-employer defined benefit plans covering substantially all of its employees: Plan A and Plan B.

Membership in Plan A is open to all full-time employees of the City (other than policeman, fireman, those employees earning less than an average of \$500 per year, the medical director and independent contractors) including full-time elected officials. Employees who retire at or after age 62 with 10 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1.9% of average monthly compensation for each year of credited service. Employees are allowed to purchase up to 5 years of military time and retirement is mandatory at age 70.

Average monthly compensation is equal to 1/36th of the earnings of the employee during the best 3 consecutive years of the employee's final 10 years of employment with the City. Benefits fully vest upon reaching 10 years of credited service. Employees may retire early on or after age 55 with 10 years of credited service and receive reduced retirement benefits. The Plan also provides death and disability benefits. Covered employees under Plan A are required to contribute 5.92% of their annual compensation to the Plan.

Membership in Plan B is open to all full-time employees of the police and fire departments, other than those earning less than an average of \$500 per year, the medical director and independent contractors. Employees who retire at or after age 55 with 10 years of credited service, or on or after age 52 with 25 years of credited service, are entitled to a retirement benefit, payable monthly for life, equal to 2.6% of average monthly compensation (computed in the same manner as Plan A) for each year of credited service up to 30 years, plus 1% of average monthly compensation for each year of credited service in excess of 30 years, with a maximum of 85% of average monthly compensation. Benefits for both police and fire employees fully vest upon reaching 15 years of credited service. Employees age 50 with 10 years of credited service or employees of any age with 25 years of credited service may retire early and receive reduced retirement benefits. The Plan also provides death and disability benefits. Covered employees under Plan B are required to contribute 7% of their annual compensation to the Plan. Employees are allowed to purchase up to 5 years of military time.

The aggregate payroll for employees covered by the plans for the year ended December 31, 2003 was \$5,592,681 (\$4,050,559 for Plan A and \$1,542,122 for Plan B); the City's total payroll for calendar year 2003 was \$6,441,959.

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 10 - EMPLOYEE BENEFIT PLANS (Continued)**

Plan membership consisted of the following at January 1, 2004 (the date of the most recent actuarial valuation available):

	<u>Plan A</u>	<u>Plan B</u>	<u>Total</u>
Retired plan members and beneficiaries receiving benefits	77	49	126
Terminated plan members entitled to but not yet receiving benefits	5	-	5
Active plan members	<u>102</u>	<u>34</u>	<u>136</u>
Total	<u>184</u>	<u>83</u>	<u>267</u>

In addition to the pension benefits described above, the City provides postretirement health care benefits, in accordance with certain collective bargaining unit agreements, to eligible employees who retire from the City prior to age 65. The City provides single coverage health insurance for members of the Police and Fire bargaining units who retire on or after age 55, until they are eligible for Medicare. The retiree must contribute the same monthly amount towards the cost of this coverage as single employees contribute at the time of retirement, which is currently \$10.00 and \$12.13 per month for Police and Fire retirees, respectively. For members of the other bargaining units who retire on or after age 62, the City contributes 50% of their single coverage health insurance until they are eligible for Medicare. There are currently 10 retirees meeting these eligibility requirements. The City's costs for these benefits are funded as claims are incurred and the Insurance Fund is reimbursed by the General Fund based on an annually computed individual COBRA rate for each eligible retiree. During the year ended September 30, 2004, an aggregate of \$135,668 was paid by the General Fund to the Insurance Fund for these postretirement health care benefits.

The City contributes to the Plans a percent of payroll calculated and recommended each year by the Plans' actuary. The Plans' contribution requirements for the plan year ended December 31, 2003 were \$442,649 (\$304,342 for Plan A and \$138,307 for Plan B) which consisted of \$76,849 from the City and \$365,800 from employees; these contributions represented approximately 1.4% and 6.5% of covered payroll, respectively.

The Plans invest in various types of securities (see Note 3).

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(Continued)



CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 10 - EMPLOYEE BENEFIT PLANS (Continued)**

Significant actuarial assumptions used in the valuation include (a) interest rate of 7.5 percent compounded annually, net of investment expenses; (b) projected annual salary increases of 4.5 and 5.0 percent, compounded annually, for Plan A and Plan B, respectively, (c) no rehires of former employees were assumed and (d) employees purchase 2 years of military time on average. The entry age normal cost valuation method is used and recognizes market appreciation or depreciation over five years.

The City's funding policy provides for periodic contributions based upon a fundamental financial objective of having rates of contribution which remain relatively level from generation to generation of City of Niles citizens. To determine the contribution rates and to assess the extent to which the fundamental financial objective is being achieved, the City has actuarial valuations prepared annually. The complete actuarial valuation report for each plan is available at the City Clerk's office, 508 E. Main Street, Niles, Michigan, 49120. In preparing those valuations, the entry age normal cost method of valuation is used to determine normal cost and actuarial accrued liabilities.

Unfunded actuarial liabilities are amortized at the valuation interest rate using a 10-year level percent-of-payroll method from the date of establishment.

The significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used in the valuation. The City's net pension obligation at transition at January 1, 2001 was \$-0-, determined in accordance with *Governmental Accounting Standards Board Statement No. 27, "Accounting for Pensions by State and Local Government Employers"*.

The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by ICMA-RT. The plan is available to all City employees and permits them to defer a portion of their compensation until future years. The City is not required to make any contributions to the plan. The deferred compensation is not available to the employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death. These assets are held in trust for the exclusive benefit of the participants and their beneficiaries and are not considered an asset of the City.

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 11 - CONTRACTED SERVICES**

The City has contracted with a management firm to administer and operate the Dial-A-Ride Transportation System. The management firm employs the drivers and dispatchers and is responsible for the maintenance of the equipment. The City reimburses the management firm at a flat rate per vehicle hour of operation. The hourly rate for the fiscal year ended September 30, 2004 was \$31.94.

**NOTE 12 - EXCESS EXPENDITURES OVER APPROPRIATIONS**

The following individual funds had excess expenditures over appropriations for the year ended September 30, 2004:

	<u>Expenditures</u>	<u>Appropriations</u>
General Fund	\$ 7,748,581	\$ 6,605,564
Tax Incremental Finance Authority Fund	\$ 90,770	\$ 54,000
Community Development Housing Rehabilitation Fund	\$ 1,682,248	\$ 750,000
Major Street Fund	\$ 596,423	\$ 542,000
Economic Development Grants and Loan Fund	\$ 176	\$ -
Industrial Park Fund	\$ 4,441	\$ -
Insurance Fund	\$ 1,736,145	\$ 1,266,650
Sewer Maintenance Fund	\$ 227,944	\$ 135,000

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

There are various pending lawsuits in which the City is named. City management believes that any uninsured losses from such proceedings will not have a material adverse effect on the City's combined financial position.

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)**

The City participates in a number of federal and state-assisted grant programs. These grants are subject to program compliance audits by the grantors. The audits for a number of these grants have not yet been conducted. Such audits could result in expenditures being disallowed and may result in a liability to the applicable fund. The amount, if any, of expenditures which may be disallowed cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is not aware of any potential liabilities that would significantly affect its financial position at September 30, 2004.

**NOTE 14 - JOINT VENTURES**

The City is a part of two joint ventures. The combined general purpose financial statements do not reflect any financial interest in either entity as there is not a definable interest to recognize at this time. The joint ventures are as follows:

**Southwestern Michigan Community Ambulance Service**

On November 10, 1975, the City of Niles, City of Buchanan, Niles Township, Bertrand Township, Buchanan Township and Howard Township created a corporation known as the Southwestern Michigan Community Ambulance Service ("SMCAS"). The purpose of this corporation is to provide ambulance and/or emergency medical service within the boundaries of the participating municipalities. The Board of Trustees consists of one representative from each constituent municipality.

The corporation shall continue until dissolved by agreement of the constituent municipalities or by other means. In the event the corporation is dissolved, assets of the corporation shall be liquidated and after payment of all liabilities of the corporation, the balance shall be divided among the constituent members at the time of dissolution and division shall be made according to population. Likewise, in the event it becomes necessary to finance all or any part of the operating expenses of the corporation by contribution, such contributions will be made by the participating members on the basis of population.

Financial statements of SMCAS are available at its office located at 2100 Chicago Road, Niles, MI 49120.

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(Continued)

CITY OF NILES  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
September 30, 2004

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**NOTE 14 - JOINT VENTURES (Continued)**

**Southeast Berrien County Landfill Authority**

On October 9, 1969, the City of Niles, Bertrand Township, Buchanan Township, Niles Township and the City of Buchanan created the Southeast Berrien County Landfill Authority (the "Authority"). The purpose of the Authority is to facilitate the collection and disposal of garbage and rubbish. The governing body of the Authority consists of two representatives from each constituent municipality, one of whom must be the Supervisor, President or City Manager.

The Authority shall continue until dissolved by all parties or by law. In the event the Authority is dissolved, liabilities shall be assessed and assets of the Authority shall be distributed after payment of all liabilities, obligations and agreements to the constituent municipalities. The method of distribution will be determined by the parties involved at that time.

Financial statements of the Authority are available at its office located at 3200 Chamberlain Road, Buchanan, MI 49107.

**NOTE 15 - DEFICIT FUND BALANCES**

As of September 30, 2004, the Building Department Fund has a deficit fund balance. The City anticipates transferring funds from the General Fund to eliminate the deficit fund balance.

CITY OF NILES  
PENSION PLANS A AND B  
REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2004

Required supplementary information relating to funding progress and City contributions are as follows:

<u>Schedule of Funding Progress</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent of Covered Payroll (b)-(a)/(c)</u>
<b>Plan A</b>						
01/01/02	\$ 15,434,041	\$ 13,286,300	\$ (2,147,741)	116.17%	\$ 3,837,618	(55.97) %
01/01/03	15,012,679	14,016,475	(996,204)	107.11%	4,050,594	(24.59) %
01/01/04	15,045,577	14,761,710	(283,867)	101.92%	4,050,559	(7.01) %
<b>Plan B</b>						
01/01/02	\$ 12,955,533	\$ 11,234,339	\$ (1,721,194)	115.32%	\$ 1,625,773	(105.87) %
01/01/03	12,394,293	11,541,749	(852,544)	107.39%	1,502,952	(56.72) %
01/01/04	11,955,949	11,809,688	(146,261)	101.24%	1,542,122	(9.48) %

<u>Schedule of City Contributions</u>								
<u>Year Beginning January 1</u>	<u>Annual Required Contribution</u>	<u>Annual Required Contribution Adjustment</u>	<u>Interest on Net Pension Obligation</u>	<u>Annual Pension Cost</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>	<u>Change in Net Pension Obligation</u>	<u>Pension Obligation at End of Year</u>
<b>Plan A</b>								
2001	\$ 29,138	\$ -	\$ -	\$ 29,138	\$ 29,138	100%	\$ -	\$ -
2002	78,412	-	-	78,412	78,412	100%	-	-
2003	56,709	-	-	56,709	56,709	100%	-	-
<b>Plan B</b>								
2001	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
2002	-	-	-	-	-	-	-	-
2003	20,140	-	-	20,140	20,140	100%	-	-

CITY OF NILES  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
GENERAL FUND  
Year Ended September 30, 2004

	Budget - Final Same as Originally Approved	Actual	Variance - Favorable (Unfavorable)
<b>Revenues</b>			
Taxes	\$ 2,821,310	\$ 2,675,787	\$ (145,523)
Federal revenues	-	48,203	48,203
State-shared revenues	1,624,000	1,496,909	(127,091)
Investment income and penalties	114,100	67,444	(46,656)
Fines and forfeits	62,600	53,597	(9,003)
Licenses and permits	28,500	30,686	2,186
Tax collection fees	79,000	115,765	36,765
Charges for services	425,600	244,732	(180,868)
Contributions	4,500	279	(4,221)
Other	79,200	108,544	29,344
Total revenues	<u>5,238,810</u>	<u>4,841,946</u>	<u>(396,864)</u>
<b>Expenditures</b>			
<u>General Government</u>			
Council	168,400	236,753	(68,353)
Legal	82,100	56,239	25,861
Administrator's office	139,700	155,692	(15,992)
Clerk's office	86,294	84,171	2,123
Treasurer's office	176,800	163,946	12,854
Management services	149,200	154,293	(5,093)
Building maintenance	112,700	218,735	(106,035)
Assessor's office and building department	141,403	129,046	12,357
Planning	99,064	94,115	4,949
Property and liability insurance	145,000	157,760	(12,760)
General contingent	51,600	51,415	185
Emergency operations center	2,900	5,254	(2,354)
Total general government	<u>1,355,161</u>	<u>1,507,419</u>	<u>(152,258)</u>
<u>Public Safety</u>			
Police Department	2,323,525	2,222,888	100,637
Fire Department	<u>1,607,681</u>	<u>2,259,841</u>	<u>(652,160)</u>
Total public safety	<u>3,931,206</u>	<u>4,482,729</u>	<u>(551,523)</u>
<u>Highways and Streets</u>			
Highways, streets and bridges	397,800	469,269	(71,469)
Engineering	183,000	194,949	(11,949)
Other	<u>145,100</u>	<u>162,012</u>	<u>(16,912)</u>
Total highways and streets	<u>725,900</u>	<u>826,230</u>	<u>(100,330)</u>
<u>Transportation</u>			
Motor vehicle pool	<u>155,900</u>	<u>142,083</u>	<u>13,817</u>

(Continued)

CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally Approved	Actual	Variance - Favorable (Unfavorable)
<u>Sanitation</u>			
Leaf pick-up and chipping	\$ 64,200	\$ 288,454	\$ (224,254)
Total sanitation and sewers	<u>64,200</u>	<u>288,454</u>	<u>(224,254)</u>
<u>Culture and Recreation</u>			
Recreation	196,700	230,752	(34,052)
Museum	67,397	69,367	(1,970)
Total culture and recreation	<u>264,097</u>	<u>300,119</u>	<u>(36,022)</u>
<u>Conservation</u>			
Tree trimming	51,000	54,979	(3,979)
Tree removal	35,400	25,002	10,398
Total conservation	<u>86,400</u>	<u>79,981</u>	<u>6,419</u>
<u>Debt service</u>	<u>22,700</u>	<u>121,566</u>	<u>(98,866)</u>
Total expenditures	<u>6,605,564</u>	<u>7,748,581</u>	<u>(1,143,017)</u>
Deficiency of revenues under expenditures	<u>(1,366,754)</u>	<u>(2,906,635)</u>	<u>(1,539,881)</u>
Other financing sources (uses)			
Operating transfers in	1,224,800	2,126,244	901,444
Operating transfers out	(219,600)	(265,871)	(46,271)
Total other financing sources	<u>1,005,200</u>	<u>1,860,373</u>	<u>855,173</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(361,554)	(1,046,262)	(684,708)
Fund balance at beginning of year	<u>3,377,973</u>	<u>3,377,973</u>	-
Fund balance at end of year	<u>\$ 3,016,419</u>	<u>\$ 2,331,711</u>	<u>\$ (684,708)</u>

(Continued)

CITY OF NILES  
STATEMENT OF EXPENDITURES  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally Approved	Actual	Variance - Favorable (Unfavorable)
Council			
Labor	\$ 50,400	\$ 50,400	\$ -
Fringe benefits	4,800	4,013	787
Travel, training and conferences	1,000	210	790
Dues and subscriptions	14,000	12,695	1,305
Office supplies	500	5	495
Professional services	500	-	500
Communications	2,000	1,180	820
Community promotion	20,000	28,512	(8,512)
Disaster preparations	5,000	-	5,000
Donations	35,000	35,000	-
General contingent	35,000	12,882	22,118
Land purchase	-	79,838	(79,838)
Other equipment capital outlay	-	11,571	(11,571)
Miscellaneous	200	447	(247)
Total council	<u>168,400</u>	<u>236,753</u>	<u>(68,353)</u>
Legal			
Professional services	45,000	31,871	13,129
Codification	3,000	8,691	(5,691)
Professional services - Police Department	31,000	14,424	16,576
Travel and training	300	-	300
Publishing	2,500	1,253	1,247
Dues and subscriptions	300	-	300
Total legal	<u>82,100</u>	<u>56,239</u>	<u>25,861</u>
Administrator's office			
Labor	90,100	120,336	(30,236)
Fringe benefits	32,600	28,002	4,598
Office supplies	1,500	529	971
Professional services	1,000	-	1,000
Travel, training and conferences	3,000	1,494	1,506
Dues and subscriptions	2,000	1,624	376
Communications	2,500	2,040	460
Car allowance and mileage	5,400	752	4,648
Repairs and maintenance - office equipment	1,000	-	1,000
Miscellaneous	600	915	(315)
Total administrator's office	<u>139,700</u>	<u>155,692</u>	<u>(15,992)</u>

(Continued)



CITY OF NILES  
STATEMENT OF EXPENDITURES  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Clerk's office			
Labor	\$ 54,878	\$ 51,187	\$ 3,691
Fringe benefits	12,916	16,352	(3,436)
Supplies	4,000	3,561	439
Car allowance and mileage	-	40	(40)
Travel, training and conferences	3,850	1,685	2,165
Dues and subscriptions	1,000	1,175	(175)
Professional services	5,500	5,918	(418)
Communications	1,000	457	543
Printing and publishing	2,500	1,352	1,148
Repairs and maintenance - office equipment	300	45	255
Capital outlay	-	2,206	(2,206)
Miscellaneous	350	193	157
Total clerk's office	<u>86,294</u>	<u>84,171</u>	<u>2,123</u>
Treasurer's office			
Labor	103,000	101,616	1,384
Fringe benefits	33,000	38,412	(5,412)
Supplies	10,800	4,271	6,529
Car allowance and mileage	-	20	(20)
Professional services	19,000	17,348	1,652
Travel, training and conferences	2,000	776	1,224
Dues and subscriptions	300	213	87
Communications	1,200	933	267
Repairs and maintenance - office equipment	2,000	357	1,643
Printing and publishing	300	-	300
Miscellaneous	200	-	200
Capital outlay	5,000	-	5,000
Total treasurer's office	<u>176,800</u>	<u>163,946</u>	<u>12,854</u>
Management services			
Labor	44,200	43,350	850
Fringe benefits	13,500	14,535	(1,035)
Supplies	18,500	15,630	2,870
Car allowance	200	-	200
Professional services	42,000	56,415	(14,415)
Travel, training and conferences	2,000	1,568	432
Communications	11,000	9,767	1,233
Dues and subscriptions	1,600	578	1,022
Printing and publishing	200	438	(238)
Repairs and maintenance - office equipment	10,000	8,173	1,827
Capital outlay	5,000	3,517	1,483
Miscellaneous	1,000	322	678
Total management services	<u>149,200</u>	<u>154,293</u>	<u>(5,093)</u>

(Continued)

CITY OF NILES  
STATEMENT OF EXPENDITURES  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Building maintenance			
Labor	\$ 16,000	\$ 18,922	\$ (2,922)
Supplies	4,400	5,565	(1,165)
Contractual service - property	39,500	33,598	5,902
Trash disposal	1,900	1,635	265
Utilities	28,700	147,910	(119,210)
Building repairs	21,500	11,030	10,470
Miscellaneous	700	75	625
Total building maintenance	<u>112,700</u>	<u>218,735</u>	<u>(106,035)</u>
Assessor's office and building department			
Labor	83,186	82,463	723
Fringe benefits	23,517	27,405	(3,888)
Supplies	1,800	3,435	(1,635)
Professional services	12,900	4,720	8,180
Travel, training and conferences	6,000	3,930	2,070
Dues and subscriptions	2,100	218	1,882
Communications	1,800	1,223	577
Office equipment maintenance	4,800	55	4,745
Postage expense	2,500	4,354	(1,854)
Printing and publishing	2,800	1,243	1,557
Total assessor's office building department	<u>141,403</u>	<u>129,046</u>	<u>12,357</u>
Planning			
Labor	44,803	44,776	27
Fringe benefits	11,911	15,903	(3,992)
Printing and publishing	1,700	631	1,069
Supplies	1,500	1,129	371
Professional services	30,000	25,625	4,375
Travel, training and conferences	6,600	3,252	3,348
Dues and subscriptions	1,500	1,772	(272)
Communications	900	743	157
Miscellaneous	150	284	(134)
Total planning	<u>99,064</u>	<u>94,115</u>	<u>4,949</u>

(Continued)

CITY OF NILES  
STATEMENT OF EXPENDITURES  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally Approved	Actual	Variance - Favorable (Unfavorable)
Property and liability insurance	\$ 145,000	\$ 157,760	\$ (12,760)
General contingent	51,600	51,415	185
Emergency operations center	2,900	5,254	(2,354)
Police department			
Labor	1,545,500	1,375,525	169,975
Fringe benefits	345,800	432,911	(87,111)
Supplies	78,525	59,365	19,160
Uniforms	27,100	21,227	5,873
Reserves uniforms and equipment	3,500	2,310	1,190
Food and meals	7,500	8,992	(1,492)
Professional services	15,000	13,674	1,326
Travel, training and conferences	21,000	17,477	3,523
Dues and subscriptions	1,600	1,349	251
Communications	32,300	25,643	6,657
Vehicle maintenance	57,000	58,412	(1,412)
Community promotions	2,500	2,418	82
Printing and publishing	500	151	349
Maintenance - other equipment	33,900	15,240	18,660
Repairs and maintenance	83,500	31,394	52,106
School guards	13,500	12,692	808
Court and witness fees	5,000	1,129	3,871
Miscellaneous	4,000	18,900	(14,900)
Equipment capital outlay	2,800	28,710	(25,910)
Office equipment capital outlay	3,000	70,299	(67,299)
Vehicle capital outlay	40,000	25,070	14,930
Total police department	2,323,525	2,222,888	100,637
Fire department			
Labor	701,122	684,660	16,462
Labor - building inspectors	4,907	-	4,907
Fringe benefits	150,516	202,295	(51,779)
Food allowance	6,615	6,658	(43)
Supplies	31,421	14,912	16,509

(Continued)

CITY OF NILES  
STATEMENT OF EXPENDITURES  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally Approved	Actual	Variance - Favorable (Unfavorable)
Fire department, Concluded			
Uniforms	\$ 5,000	\$ 8,013	\$ (3,013)
Safety equipment	10,000	45,612	(35,612)
Professional services	6,500	12,228	(5,728)
Community promotion	3,300	5,412	(2,112)
Travel, training and conferences	7,500	9,679	(2,179)
Dues and subscriptions	1,300	1,901	(601)
Communications	13,200	16,421	(3,221)
Printing and publishing	1,200	956	244
Custodian supplies	2,700	1,915	785
Utilities	11,000	1,540	9,460
Vehicle maintenance	14,000	19,504	(5,504)
Repairs and maintenance	10,000	9,291	709
Equipment maintenance	5,000	2,056	2,944
Vehicle capital outlay	99,900	3,444	96,456
Other equipment capital outlay	520,000	1,212,282	(692,282)
Miscellaneous	2,500	1,062	1,438
Total fire department	<u>1,607,681</u>	<u>2,259,841</u>	<u>(652,160)</u>
Highways, streets and bridges			
Labor	108,800	122,019	(13,219)
Fringe benefits	205,300	266,037	(60,737)
Supplies	83,000	80,993	2,007
Repairs and maintenance	700	220	480
Total highway, streets and bridges	<u>397,800</u>	<u>469,269</u>	<u>(71,469)</u>
Engineering			
Labor	133,100	135,038	(1,938)
Fringe benefits	38,600	48,902	(10,302)
Supplies	5,000	1,525	3,475
Communications	2,800	2,996	(196)
Repairs and maintenance	1,500	210	1,290
Office equipment	2,000	6,278	(4,278)
Total engineering	<u>183,000</u>	<u>194,949</u>	<u>(11,949)</u>
Other			
Labor	8,900	5,863	3,037
Professional services	10,000	23,693	(13,693)
Supplies	400	151	249
Travel, training and conferences	2,100	461	1,639
Communications	200	110	90
Vehicle maintenance	116,000	112,393	3,607
Repairs and maintenance	3,500	530	2,970
Miscellaneous	4,000	18,811	(14,811)
Total other	<u>145,100</u>	<u>162,012</u>	<u>(16,912)</u>

(Continued)

CITY OF NILES  
STATEMENT OF EXPENDITURES  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally Approved	Actual	Variance - Favorable (Unfavorable)
Motor vehicle pool			
Labor	\$ 64,300	\$ 51,183	\$ 13,117
Supplies	10,000	8,077	1,923
Communications	4,500	3,079	1,421
Vehicle capital outlay	77,100	79,744	(2,644)
Total motor vehicle pool	<u>155,900</u>	<u>142,083</u>	<u>13,817</u>
Leaf pick-up and chipping			
Labor	64,100	107,324	(43,224)
Fringe benefits	-	186	(186)
Vehicle maintenance	-	20	(20)
Contracted services	-	171,194	(171,194)
Repairs and maintenance	-	7,538	(7,538)
Printing and publishing	100	-	100
Trash disposal	-	2,192	(2,192)
Total leaf pick-up and chipping	<u>64,200</u>	<u>288,454</u>	<u>(224,254)</u>
Recreation			
Labor	39,100	23,936	15,164
Fringe benefits	3,600	2,327	1,273
Contracted services	58,000	48,716	9,284
Supplies	12,100	7,793	4,307
Umpires	5,500	5,500	-
Trash disposal	4,000	2,339	1,661
Repairs and maintenance	22,000	6,228	15,772
Community promotion - concerts	3,700	3,665	35
Park programs	4,800	3,436	1,364
Capital outlay	40,000	124,544	(84,544)
Miscellaneous	100	1,126	(1,026)
Printing and publishing	1,500	694	806
Travel, training and conferences	500	28	472
Communications	1,500	160	1,340
Dues and subscriptions	300	260	40
Total recreation	<u>196,700</u>	<u>230,752</u>	<u>(34,052)</u>
Museum			
Labor	45,207	44,011	1,196
Fringe benefits	11,690	15,384	(3,694)
Supplies	5,550	4,239	1,311
Communications	850	603	247
Professional services	1,800	1,700	100
Travel, training and conferences	100	-	100
Capital outlay/repairs and maintenance	300	-	300
Printing and publishing	900	1,301	(401)
Community promotion	700	1,874	(1,174)
Dues and subscriptions	300	255	45
Total museum	<u>67,397</u>	<u>69,367</u>	<u>(1,970)</u>

CITY OF NILES  
STATEMENT OF EXPENDITURES  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL - GENERAL FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Tree trimming			
Contractual services	\$ 51,000	\$ 54,979	\$ (3,979)
Total tree trimming	<u>51,000</u>	<u>54,979</u>	<u>(3,979)</u>
Tree removal			
Contractual services	\$ 35,000	\$ 24,856	\$ 10,144
Printing and publishing	400	146	254
Total tree removal	<u>35,400</u>	<u>25,002</u>	<u>10,398</u>
Debt service	<u>22,700</u>	<u>121,566</u>	<u>(98,866)</u>
Total expenditures	<u>\$ 6,605,564</u>	<u>\$ 7,748,581</u>	<u>\$ (1,143,017)</u>

CITY OF NILES  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
COMMUNITY DEVELOPMENT HOUSING REHABILITATION FUND  
Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Federal grants - MEDC	\$ 500,000	\$ 1,049,490	\$ 549,490
State grants - MSHDA	250,000	240,037	(9,963)
Program revenues	-	38,198	38,198
Contributions	-	50,000	50,000
Interest	-	14	14
Miscellaneous	-	6,648	6,648
Total revenues	<u>750,000</u>	<u>1,384,387</u>	<u>634,387</u>
Expenditures			
CHIP loans	-	35	(35)
Grant expenditures - MEDC	500,000	1,448,938	(948,938)
Grant expenditures - MSHDA	<u>250,000</u>	<u>233,275</u>	<u>16,725</u>
Total expenditures	<u>750,000</u>	<u>1,682,248</u>	<u>(932,248)</u>
Deficiency of revenues under expenditures	-	(297,861)	(297,861)
Other financing sources			
Operating transfers in	<u>-</u>	<u>183,545</u>	<u>183,545</u>
Deficiency of revenues and other financing sources under expenditures	-	(114,316)	(114,316)
Fund balance at beginning of year	<u>119,552</u>	<u>119,552</u>	<u>-</u>
Fund balance at end of year	<u>\$ 119,552</u>	<u>\$ 5,236</u>	<u>\$ (114,316)</u>

CITY OF NILES  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL  
INSURANCE FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Investment income	\$ 900	\$ 412	\$ (488)
Employer contributions	1,075,750	1,503,342	427,592
Employee contributions	85,000	94,874	9,874
Refunds	<u>1,000</u>	<u>1,849</u>	<u>849</u>
Total operating revenues	<u>1,162,650</u>	<u>1,600,477</u>	<u>437,827</u>
Expenditures			
Other	50	-	50
Benefit payments	<u>1,266,600</u>	<u>1,736,145</u>	<u>(469,545)</u>
Total operating expenses	<u>1,266,650</u>	<u>1,736,145</u>	<u>(469,495)</u>
Operating loss	(104,000)	(135,668)	(31,668)
Transfers in	<u>104,000</u>	<u>135,668</u>	<u>31,668</u>
Net income	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



CITY OF NILES  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2004

	Special Revenue Funds			
	<u>TIFA Fund</u>	<u>Building Department</u>	<u>Community Development Grant Loans Fund</u>	<u>Downtown Revolving Loan Fund</u>
<b>ASSETS</b>				
Cash and cash investments	\$ 46,469	\$ 19,926	\$ 29,139	\$ 68,905
Investments	-	-	-	-
Receivables				
Property taxes	-	-	-	-
Special assessment	-	-	-	-
Special assessments - deferred	-	-	-	-
State and federal revenues	-	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	70
Notes (net of allowance for doubtful accounts of \$200,000)	-	-	-	17,577
Due from other funds	51,003	-	-	-
Total assets	<u>\$ 97,472</u>	<u>\$ 19,926</u>	<u>\$ 29,139</u>	<u>\$ 86,552</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Accounts payable	\$ 1,313	\$ 2,998	\$ -	\$ -
Due to other funds	-	29,204	-	-
Deferred revenues	51,003	-	-	-
Total liabilities	<u>52,316</u>	<u>32,202</u>	<u>-</u>	<u>-</u>
Fund balance, unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Undesignated	45,156	(12,276)	29,139	86,552
Total fund balance	<u>45,156</u>	<u>(12,276)</u>	<u>29,139</u>	<u>86,552</u>
Total liabilities and fund balance	<u>\$ 97,472</u>	<u>\$ 19,926</u>	<u>\$ 29,139</u>	<u>\$ 86,552</u>

**Special Revenue Funds**

<b>Industrial Park Fund</b>	<b>Dial-A-Ride Transportation Fund</b>	<b>Local Street Fund</b>	<b>Major Street Fund</b>	<b>Economic Development Grants and Loans Fund</b>	<b>Donovan Smith Memorial Park Fund</b>
\$ 139,325	\$ 334,301	\$ 93,044	\$ 294,844	\$ 387,146	\$ 656
-	-	-	-	-	-
-	9,863	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	39,902	130,159	-	-
-	-	-	-	50,000	-
2	-	-	-	3,928	-
70,000	-	-	-	485,440	-
-	24,993	-	-	-	-
<u>\$ 209,327</u>	<u>\$ 369,157</u>	<u>\$ 132,946</u>	<u>\$ 425,003</u>	<u>\$ 926,514</u>	<u>\$ 656</u>
\$ -	\$ 50,409	\$ 415	\$ 47,231	\$ -	\$ -
-	3,763	18,609	26,706	24,122	-
-	-	-	-	-	-
-	54,172	19,024	73,937	24,122	-
-	96,042	25,900	87,200	-	-
209,327	218,943	88,022	263,866	902,392	656
209,327	314,985	113,922	351,066	902,392	656
<u>\$ 209,327</u>	<u>\$ 369,157</u>	<u>\$ 132,946</u>	<u>\$ 425,003</u>	<u>\$ 926,514</u>	<u>\$ 656</u>

CITY OF NILES  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2004

	Capital Projects Funds			
	Capital Improvement Fund	Equipment Replacement Fund	Sewer Maintenance Fund	Local Improvement Revolving Fund
<b>ASSETS</b>				
Cash and cash investments	\$ 50,929	\$ 18,228	\$ 7,967	\$ 49,502
Investments	-	-	-	-
Receivables				
Property taxes	-	-	-	-
Special assessment	-	-	-	36
Special assessments - deferred	4,080	-	-	-
State and federal revenues	-	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Notes (net of allowance for doubtful accounts of \$200,000)	-	-	-	-
Due from other funds	-	-	68,977	2,238
Total assets	<u>\$ 55,009</u>	<u>\$ 18,228</u>	<u>\$ 76,944</u>	<u>\$ 51,776</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Accounts payable	\$ -	\$ -	\$ 30,103	\$ -
Due to other funds	-	-	-	-
Deferred revenues	4,080	-	-	-
Total liabilities	<u>4,080</u>	<u>-</u>	<u>30,103</u>	<u>-</u>
Fund balance, unreserved				
Designated for subsequent year's expenditures	-	-	-	-
Undesignated	50,929	18,228	46,841	51,776
Total fund balance	<u>50,929</u>	<u>18,228</u>	<u>46,841</u>	<u>51,776</u>
Total liabilities and fund balance	<u>\$ 55,009</u>	<u>\$ 18,228</u>	<u>\$ 76,944</u>	<u>\$ 51,776</u>

<u>Permanent Funds</u>	
<u>Cemetery Endowment Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,187	\$ 1,541,568
825,923	825,923
-	9,863
-	36
-	4,080
-	170,061
-	50,000
-	4,000
-	573,017
-	147,211
<u>\$ 827,110</u>	<u>\$ 3,325,759</u>
\$ -	\$ 132,469
-	102,404
-	55,083
-	289,956
-	209,142
<u>827,110</u>	<u>2,826,661</u>
<u>827,110</u>	<u>3,035,803</u>
<u>\$ 827,110</u>	<u>\$ 3,325,759</u>

CITY OF NILES  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year ended September 30, 2004

	Special Revenue Funds				
	<u>TIFA Fund</u>	<u>Building Department Fund</u>	<u>Community Development Grant Loans Fund</u>	<u>Downtown Revolving Loan Fund</u>	<u>Industrial Park Fund</u>
Revenues					
Taxes	\$ 64,405	\$ -	\$ -	\$ -	\$ -
Federal revenues	12,542	-	-	-	-
State-shared revenues	-	-	-	-	-
Special assessments	-	-	-	-	-
Interest and penalties	210	40	166	1,089	3,726
Licenses and permits	-	106,740	-	-	-
Charges for services	-	-	-	-	-
Program revenues	-	-	3,900	-	-
Contributions and other	17,994	294	-	-	-
Total revenues	<u>95,151</u>	<u>107,074</u>	<u>4,066</u>	<u>1,089</u>	<u>3,726</u>
Expenditures					
Highways and streets	-	-	-	-	-
Transportation	-	-	-	-	-
Community development	90,770	140,890	-	-	4,441
Sewer maintenance	-	-	-	-	-
Debt service	-	-	-	-	-
Total expenditures	<u>90,770</u>	<u>140,890</u>	<u>-</u>	<u>-</u>	<u>4,441</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,381</u>	<u>(33,816)</u>	<u>4,066</u>	<u>1,089</u>	<u>(715)</u>
Other financing sources (uses)					
Operating transfers in	5,000	14,516	-	-	4,257
Operating transfers out	(6,950)	-	-	-	(1,190,114)
Total other financing sources (uses)	<u>(1,950)</u>	<u>14,516</u>	<u>-</u>	<u>-</u>	<u>(1,185,857)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,431	(19,300)	4,066	1,089	(1,186,572)
Fund balance (deficit) at beginning of year	<u>42,725</u>	<u>7,024</u>	<u>25,073</u>	<u>85,463</u>	<u>1,395,899</u>
Fund balance (deficit) at end of year	<u>\$ 45,156</u>	<u>\$ (12,276)</u>	<u>\$ 29,139</u>	<u>\$ 86,552</u>	<u>\$ 209,327</u>

Special Revenue Funds					Debt Service Funds
Dial-A-Ride Transportation Fund	Local Street Fund	Major Street Fund	Economic Development Grants and Loans Fund	Donovan Smith Memorial Park Fund	City Building Authority Debt Service Fund
\$ 97,944	\$ -	\$ -	\$ -	\$ -	\$ -
128,996	-	-	-	-	-
253,038	246,702	595,715	-	-	-
-	-	-	-	-	-
1,789	9	1,474	27,775	1	-
-	-	-	-	-	-
77,671	-	92,314	-	-	-
-	-	-	-	-	-
9,587	-	-	-	-	51,164
<u>569,025</u>	<u>246,711</u>	<u>689,503</u>	<u>27,775</u>	<u>1</u>	<u>51,164</u>
-	425,955	596,423	-	-	-
653,118	-	-	-	-	-
-	-	-	176	-	-
-	-	-	-	-	-
-	-	-	-	-	51,164
<u>653,118</u>	<u>425,955</u>	<u>596,423</u>	<u>176</u>	<u>-</u>	<u>51,164</u>
(84,093)	(179,244)	93,080	27,599	1	-
-	300,000	-	-	-	-
-	-	(200,000)	(166,233)	-	-
-	<u>300,000</u>	<u>(200,000)</u>	<u>(166,233)</u>	<u>-</u>	<u>-</u>
(84,093)	120,756	(106,920)	(138,634)	1	-
<u>399,078</u>	<u>(6,834)</u>	<u>457,986</u>	<u>1,041,026</u>	<u>655</u>	<u>-</u>
<u>\$ 314,985</u>	<u>\$ 113,922</u>	<u>\$ 351,066</u>	<u>\$ 902,392</u>	<u>\$ 656</u>	<u>\$ -</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year ended September 30, 2004

	Capital Projects Funds			
	Capital Improvement Fund	Equipment Replacement Fund	Sewer Maintenance Fund	Local Improvement Revolving Fund
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal revenues	-	-	-	-
State-shared revenues	-	-	-	-
Special assessments	-	-	-	651
Interest and penalties	270	426	3	325
Licenses and permits	-	-	1,626	-
Charges for services	-	-	-	-
Program revenues	-	-	-	-
Contributions and other	-	19,448	-	-
Total revenues	<u>270</u>	<u>19,874</u>	<u>1,629</u>	<u>976</u>
Expenditures				
Highways and streets	-	-	-	-
Transportation	-	-	-	-
Community development	-	-	-	-
Sewer maintenance	-	-	227,944	-
Debt service	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>227,944</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>270</u>	<u>19,874</u>	<u>(226,315)</u>	<u>976</u>
Other financing sources (uses)				
Operating transfers in	-	10,000	227,944	-
Operating transfers out	-	(110,202)	-	(916)
Total other financing sources (uses)	<u>-</u>	<u>(100,202)</u>	<u>227,944</u>	<u>(916)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>270</u>	<u>(80,328)</u>	<u>1,629</u>	<u>60</u>
Fund balance (deficit) at beginning of year	<u>50,659</u>	<u>98,556</u>	<u>45,212</u>	<u>51,716</u>
Fund balance (deficit) at end of year	<u>\$ 50,929</u>	<u>\$ 18,228</u>	<u>\$ 46,841</u>	<u>\$ 51,776</u>

<u>Permanent Funds</u>		
<u>Cemetery Endowment Fund</u>	<u>Total Nonmajor Governmental Funds</u>	
\$ -	\$ 162,349	
-	141,538	
-	1,095,455	
-	651	
14,659	51,962	
-	108,366	
-	169,985	
-	3,900	
14,383	112,870	
<u>29,042</u>	<u>1,847,076</u>	
-	1,022,378	
-	653,118	
-	236,277	
-	227,944	
-	51,164	
-	<u>2,190,881</u>	
<u>29,042</u>	<u>(343,805)</u>	
-	561,717	
<u>(40,882)</u>	<u>(1,715,297)</u>	
<u>(40,882)</u>	<u>(1,153,580)</u>	
(11,840)	(1,497,385)	
<u>838,950</u>	<u>4,533,188</u>	
<u>\$ 827,110</u>	<u>\$ 3,035,803</u>	



CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
TAX INCREMENTAL FINANCE AUTHORITY (TIFA) FUND  
Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Taxes	\$ 54,950	\$ 64,405	\$ 9,455
Federal grants	-	12,542	12,542
Interest	500	210	(290)
Other	500	17,994	17,494
Total revenues	<u>55,950</u>	<u>95,151</u>	<u>39,201</u>
Expenditures			
Property repairs and maintenance	2,700	3,046	(346)
Professional services	3,000	3,929	(929)
Salaries and wages	30,000	30,955	(955)
Printing and publishing	3,000	3,531	(531)
Equipment capital outlay	-	20,816	(20,816)
Parks and concert programs	-	13,831	(13,831)
Miscellaneous	15,300	14,662	638
Total expenditures	<u>54,000</u>	<u>90,770</u>	<u>(36,770)</u>
Excess of revenues over expenditures	<u>1,950</u>	<u>4,381</u>	<u>2,431</u>
Other financing sources (uses)			
Operating transfers in	5,000	5,000	-
Operating transfers out	-	(6,950)	(6,950)
	<u>5,000</u>	<u>(1,950)</u>	<u>(6,950)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	6,950	2,431	(4,519)
Fund balance at beginning of year	<u>42,725</u>	<u>42,725</u>	-
Fund balance at end of year	<u>\$ 49,675</u>	<u>\$ 45,156</u>	<u>\$ (4,519)</u>

CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
BUILDING DEPARTMENT FUND  
Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Permits	\$ 135,000	\$ 103,264	\$ (31,736)
Fees	3,000	3,476	476
Interest	200	40	(160)
Other	200	294	94
Total revenues	<u>138,400</u>	<u>107,074</u>	<u>(31,326)</u>
Expenditures			
Wages	71,781	71,952	(171)
Fringes	22,605	30,597	(7,992)
Supplies	4,500	2,523	1,977
Demolition	10,000	-	10,000
Travel, training and conference	8,000	4,483	3,517
Dues and subscriptions	2,000	481	1,519
Communications	4,000	2,193	1,807
Capital outlay	4,000	-	4,000
Office equipment repairs and maintenance	300	771	(471)
Professional services	40,000	26,442	13,558
Printing and publishing	1,500	336	1,164
Miscellaneous	3,000	1,112	1,888
Total expenditures	<u>171,686</u>	<u>140,890</u>	<u>30,796</u>
Deficiency of revenues under expenditures	(33,286)	(33,816)	(530)
Other financing sources			
Operating transfers in	<u>14,516</u>	<u>14,516</u>	<u>-</u>
Deficiency of revenues and other financing sources under expenditures	(18,770)	(19,300)	(530)
Fund balance at beginning of year	<u>7,024</u>	<u>7,024</u>	<u>-</u>
Fund balance (deficit) at end of year	<u>\$ (11,746)</u>	<u>\$ (12,276)</u>	<u>\$ (530)</u>

CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
COMMUNITY DEVELOPMENT GRANT LOANS FUND  
Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Program revenues	\$ -	\$ 3,900	\$ 3,900
Interest	<u>200</u>	<u>166</u>	<u>(34)</u>
Total revenues	<u>200</u>	<u>4,066</u>	<u>3,866</u>
 Excess of revenues over expenditures	 200	 4,066	 3,866
 Other financing sources			
Operating transfers in	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
 Excess of revenues and other financing sources over expenditures	 5,200	 4,066	 (1,134)
 Fund balance at beginning of year	 <u>25,073</u>	 <u>25,073</u>	 <u>-</u>
 Fund balance at end of year	 <u>\$ 30,273</u>	 <u>\$ 29,139</u>	 <u>\$ (1,134)</u>

CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
DOWNTOWN REVOLVING LOAN FUND  
Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Interest	\$ 1,222	\$ 1,089	\$ (133)
Expenditures			
Professional services	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Excess of revenues over expenditures	222	1,089	867
Fund balance at beginning of year	<u>85,463</u>	<u>85,463</u>	<u>-</u>
Fund balance at end of year	<u>\$ 85,685</u>	<u>\$ 86,552</u>	<u>\$ 867</u>

CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
INDUSTRIAL PARK FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Interest	\$ 5,000	\$ 3,726	\$ (1,274)
Total revenues	<u>5,000</u>	<u>3,726</u>	<u>(1,274)</u>
Expenditures			
Industrial development project	-	4,257	(4,257)
Contractual	<u>-</u>	<u>184</u>	<u>(184)</u>
Total expenditures	<u>-</u>	<u>4,441</u>	<u>(4,441)</u>
Excess (deficiency) of revenues over (under) expenditures	5,000	(715)	(5,715)
Other financing uses			
Operating transfers in	-	4,257	4,257
Operating transfers out	<u>(500,000)</u>	<u>(1,190,114)</u>	<u>(690,114)</u>
Deficiency of revenues and other financing sources under expenditures and other financing uses	(495,000)	(1,186,572)	(691,572)
Fund balance at beginning of year	<u>1,395,899</u>	<u>1,395,899</u>	<u>-</u>
Fund balance at end of year	<u>\$ 900,899</u>	<u>\$ 209,327</u>	<u>\$ (691,572)</u>

CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
DAIL-A-RIDE TRANSPORTATION FUND  
Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Taxes	\$ 87,100	\$ 97,944	\$ 10,844
Federal revenues	194,200	128,996	(65,204)
State-shared revenues	249,227	253,038	3,811
Interest	2,900	1,789	(1,111)
Charges for services	100,000	77,671	(22,329)
Contributions and other	9,000	9,587	587
Total revenues	<u>642,427</u>	<u>569,025</u>	<u>(73,402)</u>
Expenditures			
Contractual services	586,440	584,027	2,413
Vehicle maintenance	1,500	-	1,500
Repairs and maintenance	5,000	1,000	4,000
Equipment capital outlay	77,800	2,071	75,729
Vehicle capital outlay		52,750	(52,750)
Miscellaneous	14,900	13,270	1,630
Total expenditures	<u>685,640</u>	<u>653,118</u>	<u>32,522</u>
Deficiency of revenues under expenditures	(43,213)	(84,093)	(40,880)
Fund balance at beginning of year	<u>399,078</u>	<u>399,078</u>	<u>-</u>
Fund balance at end of year	<u>\$ 355,865</u>	<u>\$ 314,985</u>	<u>\$ (40,880)</u>

CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
LOCAL STREET FUND  
Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
State revenues - gas and weight tax	\$ 229,400	\$ 246,702	\$ 17,302
Interest	1,000	9	(991)
Total revenues	<u>230,400</u>	<u>246,711</u>	<u>16,311</u>
Expenditures			
Routine maintenance - roads and streets	294,100	296,405	(2,305)
Traffic service - maintenance	48,300	52,127	(3,827)
Winter maintenance	79,800	61,223	18,577
Administration, engineering and recordkeeping	16,200	16,200	-
Total expenditures	<u>438,400</u>	<u>425,955</u>	<u>12,445</u>
Deficiency of revenues under expenditures	(208,000)	(179,244)	28,756
Other financing sources			
Operating transfers in	<u>300,000</u>	<u>300,000</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	92,000	120,756	28,756
Fund balance (deficit) at beginning of year	<u>(6,834)</u>	<u>(6,834)</u>	<u>-</u>
Fund balance at end of year	<u>\$ 85,166</u>	<u>\$ 113,922</u>	<u>\$ 28,756</u>

CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
MAJOR STREET FUND  
Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
State revenues - gas and weight tax	\$ 542,600	\$ 595,715	\$ 53,115
Interest	7,000	1,474	(5,526)
Charges for services - street department	100,500	92,314	(8,186)
Total revenues	<u>650,100</u>	<u>689,503</u>	<u>39,403</u>
Expenditures			
Construction	115,200	190,937	(75,737)
Routine maintenance - streets	157,800	154,585	3,215
Routine maintenance - bridges	500	-	500
Traffic service - maintenance	44,700	47,387	(2,687)
Winter maintenance - major streets	107,000	93,852	13,148
Administration, engineering and recordkeeping	16,300	16,200	100
Traffic signals	11,200	9,985	1,215
Routine maintenance - trunkline	12,800	10,769	2,031
Sweeping and flushing	11,600	7,418	4,182
Trees and shrubs	1,000	4,773	(3,773)
Berm maintenance	5,600	6,822	(1,222)
Grass and weed control	1,100	1,088	12
Signs	700	1,093	(393)
Pavement marking	500	94	406
Winter maintenance - trunklines	35,000	33,314	1,686
Fringe benefits	14,000	11,446	2,554
General expenses	7,000	6,660	340
Total expenditures	<u>542,000</u>	<u>596,423</u>	<u>(54,423)</u>
Excess of revenues over expenditures	108,100	93,080	(15,020)
Other financing uses			
Operating transfers out	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>
Deficiency of revenues under expenditures and other financing uses	(91,900)	(106,920)	(15,020)
Fund balance at beginning of year	<u>457,986</u>	<u>457,986</u>	<u>-</u>
Fund balance at end of year	<u>\$ 366,086</u>	<u>\$ 351,066</u>	<u>\$ (15,020)</u>



CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
ECONOMIC DEVELOPMENT GRANTS AND LOANS FUND  
Year ended September 30, 2004

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	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Interest	\$ 34,544	\$ 27,775	\$ (6,769)
Expenditures			
Printing and publishing	<u>-</u>	<u>176</u>	<u>(176)</u>
Excess of revenues over expenditures	34,544	27,599	(6,945)
Other financing uses			
Operating transfers out	<u>-</u>	<u>(166,233)</u>	<u>(166,233)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	34,544	(138,634)	(173,178)
Fund balance at beginning of year	<u>1,041,026</u>	<u>1,041,026</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,075,570</u>	<u>\$ 902,392</u>	<u>\$ (173,178)</u>

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CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
CITY BUILDING AUTHORITY DEBT SERVICE FUND  
Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Rental income	\$ 51,400	\$ 51,164	\$ (236)
Expenditures			
Debt service	<u>51,400</u>	<u>51,164</u>	<u>236</u>
Excess of revenues over expenditures	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF NILES  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
 CAPITAL IMPROVEMENT FUND  
 Year ended September 30, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Special assessment	\$ 5,000	\$ -	\$ (5,000)
Interest	200	270	70
Charges for services	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
	<u>10,200</u>	<u>270</u>	<u>(9,930)</u>
 Excess of revenues over expenditures	 10,200	 270	 (9,930)
 Fund balance at beginning of year	 <u>50,659</u>	 <u>50,659</u>	 <u>-</u>
Fund balance at end of year	<u>\$ 60,859</u>	<u>\$ 50,929</u>	<u>\$ (9,930)</u>

CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET ( MODIFIED ACCRUAL BASIS) AND ACTUAL -  
EQUIPMENT REPLACEMENT FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Interest	\$ 900	\$ 426	\$ (474)
Contributions from private sources	<u>12,000</u>	<u>19,448</u>	<u>7,448</u>
	<u>12,900</u>	<u>19,874</u>	<u>6,974</u>
Excess of revenues over expenditures	12,900	19,874	6,974
Other financing sources (uses)			
Operating transfers in	30,000	10,000	(20,000)
Operating transfers out	<u>(26,900)</u>	<u>(110,202)</u>	<u>(83,302)</u>
Total other financing sources (uses)	<u>3,100</u>	<u>(100,202)</u>	<u>(103,302)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	16,000	(80,328)	(96,328)
Fund balance at beginning of year	<u>98,556</u>	<u>98,556</u>	<u>-</u>
Fund balance at end of year	<u>\$ 114,556</u>	<u>\$ 18,228</u>	<u>\$ (96,328)</u>

CITY OF NILES  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
SEWER MAINTENANCE FUND  
Year ended September 30, 2004

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Interest	\$ 400	\$ 3	\$ (397)
Permits	-	1,626	1,626
	<u>400</u>	<u>1,629</u>	<u>1,229</u>
Expenditures			
Salaries and wages	49,800	57,543	(7,743)
Fringe benefits	24,500	24,468	32
Operating supplies	8,100	9,750	(1,650)
Communications	200	86	114
Vehicle maintenance and operations	21,600	38,598	(16,998)
Repairs and maintenance - sewer system	30,000	95,832	(65,832)
Other	800	1,667	(867)
Total expenditures	<u>135,000</u>	<u>227,944</u>	<u>(92,944)</u>
Deficiency of revenues under expenditures	(134,600)	(226,315)	(91,715)
Other financing sources			
Operating transfers in	<u>134,600</u>	<u>227,944</u>	<u>93,344</u>
Excess of revenues and other financing sources over expenditures	-	1,629	1,629
Fund balance at beginning of year	<u>45,212</u>	<u>45,212</u>	<u>-</u>
Fund balance at end of year	<u>\$ 45,212</u>	<u>\$ 46,841</u>	<u>\$ 1,629</u>

CITY OF NILES  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL -  
 LOCAL IMPROVEMENT REVOLVING FUND  
 Year ended September 30, 2004

	Budget - Final Same as Originally <u>Approved</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Special assessment #361	\$ 300	\$ 651	\$ 351
Interest	<u>350</u>	<u>325</u>	<u>(25)</u>
Total revenues	<u>650</u>	<u>976</u>	<u>326</u>
Other financing uses			
Operating transfers out	<u>(300)</u>	<u>(916)</u>	<u>616</u>
Excess of revenues over other financing uses	350	60	(290)
Fund balance at beginning of year	<u>51,716</u>	<u>51,716</u>	<u>-</u>
Fund balance at end of year	<u>\$ 52,066</u>	<u>\$ 51,776</u>	<u>\$ (290)</u>

CITY OF NILES  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
ALL AGENCY FUNDS  
Year ended September 30, 2004

	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
<b><u>Niles Community Schools Trustee Fund</u></b>				
ASSETS				
Cash and cash investments	\$ -	\$ 2,015,137	\$ 2,015,137	\$ -
Taxes receivable	-	2,052,970	2,052,970	-
Total assets	<u>\$ -</u>	<u>\$ 4,068,107</u>	<u>\$ 4,068,107</u>	<u>\$ -</u>
LIABILITIES				
Due to Niles Community Schools	<u>\$ -</u>	<u>\$ 4,068,107</u>	<u>\$ 4,068,107</u>	<u>\$ -</u>
<b><u>Berrien County Entities Trust Fund</u></b>				
ASSETS				
Cash and cash investments	\$ 44,518	\$ 3,104,842	\$ 3,162,451	\$ (13,091)
Taxes receivable	203,363	2,000,839	2,008,613	195,589
Due from other funds	82,463	37,029	82,463	37,029
Total assets	<u>\$ 330,344</u>	<u>\$ 5,142,710</u>	<u>\$ 5,253,527</u>	<u>\$ 219,527</u>
LIABILITIES				
Due to other funds	\$ -	\$ 5,636	\$ -	\$ 5,636
Due to Berrien County and other County entities	330,344	5,137,074	5,253,527	213,891
	<u>\$ 330,344</u>	<u>\$ 5,142,710</u>	<u>\$ 5,253,527</u>	<u>\$ 219,527</u>
<b><u>Niles Library Trustee Fund</u></b>				
ASSETS				
Cash and cash investments	\$ 5,674	\$ 370,508	\$ 376,105	\$ 77
Taxes receivable	37,519	280,575	315,907	2,187
Due from other funds	49,198	25,897	49,198	25,897
Total assets	<u>\$ 92,391</u>	<u>\$ 676,980</u>	<u>\$ 741,210</u>	<u>\$ 28,161</u>
LIABILITIES				
Due to Niles Library	<u>\$ 92,391</u>	<u>\$ 676,980</u>	<u>\$ 741,210</u>	<u>\$ 28,161</u>

(Continued)

CITY OF NILES  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
ALL AGENCY FUNDS  
Year ended September 30, 2004

	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
<b><u>SMCAS Trustee Fund</u></b>				
ASSETS				
Cash and cash investments	\$ -	\$ 60,967	\$ 60,932	\$ 35
Taxes receivable	-	54,410	54,410	-
Due from other funds	6,624	-	6,624	-
Total assets	<u>\$ 6,624</u>	<u>\$ 115,377</u>	<u>\$ 121,966</u>	<u>\$ 35</u>
LIABILITIES				
Due to SMCAS	<u>\$ 6,624</u>	<u>\$ 115,377</u>	<u>\$ 121,966</u>	<u>\$ 35</u>
<b><u>Riverfront Amphitheater Landscaping and DDA Revitalization Funds</u></b>				
ASSETS				
Cash and cash investments	<u>\$ 3,812</u>	<u>\$ 970</u>	<u>\$ -</u>	<u>\$ 4,782</u>
LIABILITIES				
Due to other taxing entities	<u>\$ 3,812</u>	<u>\$ 970</u>	<u>\$ -</u>	<u>\$ 4,782</u>
<b><u>Totals - All Agency Funds</u></b>				
ASSETS				
Cash and cash investments	\$ 54,004	\$ 5,552,424	\$ 5,614,625	\$ (8,197)
Taxes receivable	240,882	4,388,794	4,431,900	197,776
Due from other funds	138,285	62,926	138,285	62,926
Total assets	<u>\$ 433,171</u>	<u>\$ 10,004,144</u>	<u>\$ 10,184,810</u>	<u>\$ 252,505</u>
LIABILITIES				
Due to other funds	\$ -	\$ 5,636	\$ -	\$ 5,636
Due to other taxing units	433,171	9,998,508	10,184,810	246,869
Total assets	<u>\$ 433,171</u>	<u>\$ 10,004,144</u>	<u>\$ 10,184,810</u>	<u>\$ 252,505</u>



CITY OF NILES  
GENERAL OBLIGATION BONDS - PRINCIPAL AND INTEREST REQUIREMENTS  
September 30, 2004

Fiscal Year Ending September 30,	Principal March 15	Building Authority Bonds		
		Interest		Total
		March 15	September 15	Requirements
2005	\$ 25,000	\$ 12,635	\$ 12,041	\$ 49,676
2006	30,000	12,041	11,329	53,370
2007	30,000	11,329	10,616	51,945
2008	30,000	10,616	9,904	50,520
2009	35,000	9,904	9,073	53,977
2010	35,000	9,073	8,241	52,314
2011	35,000	8,241	7,410	50,651
2012	40,000	7,410	6,460	53,870
2013	40,000	6,460	5,510	51,970
2014	40,000	5,510	4,560	50,070
2015	45,000	4,560	3,480	53,040
2016	45,000	3,480	2,400	50,880
2017	50,000	2,400	1,200	53,600
2018	50,000	1,200	-	51,200
	\$ 530,000	\$ 104,859	\$ 92,224	\$ 727,083

Fiscal Year Ending September 30,	Principal October 1	Water Improvements Bond		Total Requirements
		Interest October 1	April 1	
2005	\$ 60,000	\$ 106,853	\$ 106,853	\$ 273,706
2006	185,000	106,253	106,253	397,506
2007	225,000	104,403	104,403	433,806
2008	255,000	101,591	101,591	458,182
2009	260,000	97,766	97,766	455,532
2010	270,000	93,866	93,866	457,732
2011	275,000	89,816	89,816	454,632
2012	285,000	85,003	85,003	455,006
2013	300,000	79,838	79,838	459,676
2014	310,000	74,212	74,212	458,424
2015	320,000	68,206	68,206	456,412
2016	330,000	62,446	62,446	454,892
2017	345,000	56,259	56,259	457,518
2018	360,000	49,618	49,618	459,236
2019	370,000	42,507	42,507	455,014
2020	385,000	35,108	35,108	455,216
2021	405,000	27,215	27,215	459,430
2022	420,000	18,710	18,710	457,420
2023	440,000	9,680	9,680	459,360
	\$ 5,800,000	\$ 1,309,350	\$ 1,309,350	\$ 8,418,700

CITY OF NILES  
DIAL-A-RIDE TRANSPORTATION  
SUPPLEMENTARY SCHEDULE OF NET ELIGIBLE COSTS COMPUTATIONS OF  
GENERAL OPERATIONS  
Year ended September 30, 2004

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Expenditures	
Contractual services	\$ 584,027
Vehicle maintenance	<u>-</u>
	584,027
Less, Ineligible expenditures (preventative maintenance FTA #MI-90-X457)	<u>141,217</u>
Net eligible expenditures	<u>\$ 442,810</u>
State Operating Assistance	\$ 222,494
Less: Statutory cap of 42.23% of net eligible expenditures	186,999
Less: State share of preventative maintenance	<u>28,243</u>
Amount due to (from) State of Michigan	<u>\$ 7,252</u>

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CITY OF NILES  
DIAL-A-RIDE TRANSPORTATION  
SUPPLEMENTARY SCHEDULE OF MILEAGE DATA  
Year ended September 30, 2004  
(UNAUDITED)

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	Public Transportation <u>Mileage</u>
Demand response:	
First quarter	55,346
Second quarter	56,245
Third quarter	64,427
Fourth quarter	<u>74,753</u>
Total demand response	<u><u>250,771</u></u>

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